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MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL

Plan for facilitating capacity-building under decision 7/CP.4: an initial framework

Note by the secretariat

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I. INTRODUCTION

1. The Conference of the Parties (COP), at its fourth session, requested the secretariat to prepare, for consideration by the subsidiary bodies at their tenth sessions, a plan for facilitating capacity-building in developing country Parties, especially the small island States and the least developed amongst them, for project activities under the clean development mechanism (CDM), and for facilitating the participation of Parties with economies in transition in the other mechanisms (FCCC/CP/1998/16/Add.1, decision 7/CP.4, para. 4).

2. This request was one element of decision 7/CP.4, which outlines a work programme on mechanisms, including the list of elements in the annex to that decision, to be undertaken with priority given to the clean development mechanism and with a view to taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at COP 6, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session (COP/MOP 1) (FCCC/CP/1998/16/Add.1, decision 7/CP.4, para.1).

3. The work programme on mechanisms is part of the Buenos Aires Plan of Action which stressed the need for increased capacity-building in several areas, reflected in decisions on activities implemented jointly (AIJ) under the pilot phase (decision 6/CP.4), additional guidance to the operating entity of the financial mechanism (decision 2/CP.4), development and transfer of technologies (decision 4/CP.4) and initial national communications from Parties not included in Annex I to the Convention (decision 12/CP.4).

4. The plan for facilitating capacity-building related to mechanisms is, therefore, one element of a larger effort to enhance the capacity of Parties and actors at the national, regional and international levels to address climate change issues. In elaborating approaches to capacity-building in any one of these areas, it should, therefore, be borne in mind that benefits can be derived from drawing thematic linkages - for example between capacity-building for effecting CDM project activities, the identification of mitigation and adaptation options in the context of national communications and technology transfer - and from coordinating activities so that maximum use is made of scarce resources. Parties may wish to consider, at an appropriate time, the elaboration of a consolidated approach to capacity-building across all areas addressed in the Buenos Aires Plan of Action.

5. The secretariat considers the following to be an initial framework for systematically discussing capacity-building related to the mechanisms and for identifying initial action to be taken. It is not yet a full-fledged plan which would spell out functional, operational and institutional requirements for facilitating CDM project activities in developing countries, and the participation in Article 6 projects (joint implementation (JI)) and in emissions trading of Parties with economies in transition as spelled out in decision 7/CP.4.

6. This initial framework reflects the fact that the rules, modalities and guidelines for the mechanisms under Articles 6, 12 and17 will only be decided at the Conference of the Parties, at

its sixth session (COP 6), in the year 2000: capacity-building prior to COP 6 would mainly entail activities which raise awareness on the economic and environmental implications and assist in the elaboration of design options for each of the mechanisms. After COP 6, once the rules have been agreed upon, Parties may wish to shift capacity-building activities towards practical implementation issues and to the review processes. Capacity-building regarding the CDM may be undertaken with priority, as certified emissions reductions derived from CDM projects could be obtained starting in the year 2000.

7. The requirements for capacity-building related to the mechanisms at the national, subregional, regional and international levels are large involving a wide range of actors. The issues are often new and perceived to be complex. In order to make best use of available resources, expertise and experience for addressing the vast task at hand, Parties had, through decision 7/CP.4, called upon United Nations agencies, intergovernmental and non-governmental organizations to make relevant contributions to the intergovernmental process. In this context, the secretariat had, therefore, taken the initiative to invite UNCTAD, UNDP, UNEP and UNIDO to develop a coordinated approach based on the comparative advantage of each agency.

8. Finally, views expressed by Parties in submissions and initial comments by experts on a draft of this framework, presented on the occasion of the Technical Workshop on Mechanisms, held in Bonn from 9-15 April 1999, provided valuable inputs for further elaborating this document. Further inputs from Parties and other actors will be needed to develop this initial framework for discussion into a comprehensive plan for facilitating capacity-building related to the mechanisms.

II. ISSUES AND ACTORS

9. A broad range of human and institutional capacities will be needed by Parties and other actors to effectively participate in the design, development and operation of the mechanisms. A few examples may illustrate the scope of the challenge: Parties, particularly those wishing to participate in the mechanisms, will be faced with a series of technical and methodological issues on which experience has so far been limited and for which practical solutions need to be found. The determination of baselines and additionality for CDM and Article 6 projects (JI) are cases in point. For many Parties, non-Annex I and Annex I Parties alike, the required capacities are not readily available. In addition, operational requirements, such as those for the CDM, imply new development-oriented partnerships where the private sector may play a strong innovative role. Institutional support structures will need to be identified and strengthened.

10. While it may be possible to build, in some cases, on experiences and structures developed during the pilot phase of AIJ, it needs to be recalled that the range of those projects was limited. Even Parties with comparatively broad experience may, therefore, require substantial additional capacity - technical and managerial - to benefit from the project-based mechanisms under Articles 12 and 6. Such capacity-building is all the more required among Parties without activities implemented jointly and with no or limited experience in carrying out greenhouse gas (GHG) mitigation, but also adaptation, projects.

11. Regarding emissions trading under Article 17 of the Protocol, it should be noted that its rules, modalities and guidelines, including design issues such as the tracking of emission reduction units, compliance and liability, are to be decided by the Conference of the Parties. All Parties will, therefore, need to be conversant with the options in this regard. In addition, those Parties with economies in transition wishing to participate in emissions trading may perceive a need for capacity-building with regard to legal and operational requirements as well as the analysis and the management of its economic aspects. Existing institutions may need to be prepared for this unfamiliar challenge.

12. The mix and balance of relevant activities may, therefore, differ among the mechanisms as a function of Parties' needs, the nature of their involvement and design features. For example, while being engaged in the designing of all mechanisms, Parties not included in Annex I may become operationally active only in the CDM.

13. The initial framework shown in the table below presents a structured approach to capacity-building related to the mechanisms by linking actors and issues. The latter range from awareness-raising and support for the elaboration of design options for each of the mechanisms before COP 6 to operationally-oriented capacity-building for the implementation and review process after COP 6.

Table. An initial framework

Phases		Actors / Issues	National		Subregional and regional	International community
			Non-Annex I Parties	Annex I Parties		
			Government - Central - Local Business NGO	Government - Central - Local Business NGO	IGO NGO	UNFCCC UN, specialized agencies IGO NGO
pre-COP 6	Design	Awareness-raising				
		Elaboration of options				
post-COP 6	Implementation	Early implementation				
		Operationalization				
		Review				

NGO = non-governmental organization;
IGO = intergovernmental organization

14. The framework reflects that Parties are seen to be the principal actors in the effort to build capacities for the participation in the mechanisms. The extent of engagement of stakeholders such as of central or local government or the business and non-governmental organization communities, will depend on national strategies and priorities as well as on the provisions for for each of the mechanisms. Other actors include subregional and regional governmental and and non-governmental organizations as well as the international community. The latter may render support on specific issues and in accordance with the priorities established by the intergovernmental process.

15. This general framework could be applied to each of the mechanisms under the Kyoto Protocol to illustrate how actors may get involved and can interact in order to maximize the effectiveness of capacity-building. If a Party uses this framework for performing an analysis of its capacity-building requirements, the 'issues' column would need to be further disaggregated and tailored to fit national characteristics. An illustrative example for a capacity-building framework for the clean development mechanism is given in annex II.

16. While the framework above covers capacity-building issues before and after COP 6, i.e. during the design and implementation phases, capacity-building activities prior to COP 6 should - given the absence of rules - mainly be geared towards the requirements of the design phase and facilitate the participation of Parties therein. In setting this premise, it needs to be borne in mind, however, that, while the rules of operation for the mechanisms are not yet determined, the rule-setting - and thus the capacity needed for the design phase - need to be informed to some extent by the anticipated, likely requirements of the operational phase.

III. CAPACITY-BUILDING PRIORITIES BEFORE THE SIXTH SESSION OF THE CONFERENCE OF THE PARTIES

17. Issues, requirements and priority activities related to the raising of awareness and the requirements for elaborating design options for each of the mechanisms before COP 6 are identified below. Action taken by Parties may be supported by actors at regional and international levels provided resources are available for facilitating such capacity-building efforts.

Awareness-raising

18. The effectiveness of the design - and later of the operation - of the mechanisms is likely to depend on the level of awareness at the highest political level as well as among the range of actors. National governments may assume a variety of important roles in this respect. One such role could be to identify or establish a dedicated national unit, e.g. an institution or an individual expert, as the focal point for issues related to the mechanisms under the Kyoto Protocol. Experience from the AIJ pilot phase suggests that such a unit can be crucial for attracting project-related investment by functioning as a "single window" for information on technical and process issues. It could also be the focal point for promoting capacity-building, organize technical seminars for stakeholders to share experiences and lessons learned, and, at the same

time, gather their inputs for the development of design options. Such stakeholders could include public and private sector entities (e.g. central and local government agencies involved in development finance and investment; and local and transnational companies, business and industry associations) as well as non-governmental organizations (e.g. in the environment and development area; and trade unions). They may be operating at local, national, subregional, regional and international levels.

19. Some examples may indicate the range of awareness-raising activities for the various mechanisms: for the CDM or JI, an initial national information seminar could raise key issues of a technical nature (e.g. on baselines and additionality, reporting and certification) and provide updates on the intergovernmental process and its requirements. Participants may include representatives from those parts of the private sector which are assigned priority in the national development plan, from local governments and non-governmental organizations, from the certifying industry and from national authorities likely to be involved in the approval process for project activities. A national World Wide Web site could be a useful tool for raising awareness and exchanging information.

20. Regarding emissions trading, awareness-raising activities may be important for enhancing public understanding of the intricacies and challenges of such a regime. In addition, technical training in finance, exchange and broker operations may be needed to facilitate the participation of all eligible Parties in the design of emissions trading pursuant to Article 17.

21. In support of national activities, subregional and regional actors, e.g. intergovernmental and non-governmental organizations, could generate knowledge and provide platforms for distributing and exchanging information specific to their region. They could also play an important role in facilitating national activities by providing, upon request, resource persons with technical and institutional expertise. The use of communication technologies such as the Internet could not only support the dissemination of information, but also assist in capacity-building at regional level through the creation of networks of experts and institutions.

22. The international community could facilitate these awareness-raising efforts through the development of standard reference materials. Previous experiences, including the AIJ pilot phase, have demonstrated the importance of common terminology and definitions. Modular information products, such as information kits on design options (pre-COP 6) and on implementation modalities (post-COP 6), could be provided to national focal points for the Convention and to other users. Other means for facilitating capacity-building include regional workshops; networks promoted by United Nations agencies, intergovernmental and international non-governmental organizations; dedicated World Wide Web sites; and the provision of ad hoc advisory services upon request.

Elaboration of options

23. The private sector, non-governmental organizations, local governments and other potential stakeholders in the national process could be involved in identifying options for the

designing of the mechanisms. In the case of the CDM, they could provide inputs on methodological issues, such as baselines and additionality, and on monitoring, reporting, verification and certification procedures. Governments could assist this process by disseminating information which is available internationally. The early involvement of actors in the design stage may significantly facilitate their subsequent engagement in the implementation phase of the mechanism.

24. In designing the adaptation component of the CDM, countries within the same region or with a similar vulnerability profile may collaborate in developing suitable common approaches. The exchange of information between regions and among subregions may facilitate learning, reduce duplicative experimentation and promote the diffusion of options with multiple benefits. These cooperation efforts could provide input to the development of the modalities for accessing the funds generated by the share of the proceeds under the CDM.

25. Regional and subregional actors, for example a centre specializing in any of the mechanisms, could provide, upon request, experts from a regional roster and access to their knowledge base containing state-of-the-art research results. They could also further develop the information kits and tailor them to suit national and regional characteristics.

26. In addition to technical workshops, permanent expert groups at regional level on each of the mechanisms may be useful to help Parties within that region to formulate guidelines, rules and operational modalities and thus to inform the decision-making at national as well as international levels.

27. The international community could assist regional and subregional actors in expanding their technical knowledge base. Especially in the area of adaptation, the international community could also facilitate cross-regional exchanges.

IV. RESOURCES

28. Given the wide range of activities and actors involved, it is not feasible to present an overall assessment of required resources. Activities identified in this framework, linking actors and issues, could be taken up at various levels prior to COP 6. A multitude of stakeholders and proponents from local to global levels may be involved and the scope and nature of activities may vary among and between mechanisms. They could be activities dedicated solely to the mechanisms or related/attached to capacity-building in areas such as technology transfer.

29. As resources become available, they may be drawn from public and private sources, from bilateral and multilateral funds. Parties may wish to invite contributions to the various capacity-building efforts which they themselves and/or other above-mentioned actors may undertake.

30. It is, however, a primary objective of this initial framework for a plan for facilitating capacity-building related to the mechanisms to promote the avoidance of duplication of effort

and utmost use of scarce resources. A schedule for possible capacity-building activities related to the mechanisms until the end of the year 2000 is, therefore, contained in annex I to this document. This schedule seeks to contribute to the rational planning of events and products in support of capacity-building.

31. In this context, Parties may wish to note that the secretariat has invited UNCTAD, UNDP, UNEP and UNIDO to coordinate their activities in this area. This effort has resulted in a first project proposal for 1999-2000 for capacity-building related to the CDM. Its components include enhancing the knowledge base, developing prototype projects for case studies in developing countries, as well as general awareness-raising, training and information activities. This proposal is being submitted to potential donors interested in funding its implementation.

32. Parties may wish to contribute information on their own activities at bilateral, subregional and regional levels and invite relevant contributions to their capacity-building efforts from United Nations agencies, intergovernmental and non-governmental organizations.

V. PROPOSED ACTION

33. Parties may wish to consider:

(a) The desirability of integrating capacity-building related to the mechanisms into a consolidated approach to capacity-building across all areas addressed in the Buenos Aires Plan of Action; and

(b) The scope and objectives of capacity-building activities for the pre-COP 6 design phase, such as the need for a global workshop and regional workshops between COP 5 and COP 6 aimed at raising awareness and at strengthening the capacity to develop design options.

34. For the further elaboration of a plan for facilitating capacity-building related to the mechanisms, Parties may wish to submit views and/or information on:

(a) Priority needs regarding capacity-building for the mechanisms, indicating, as appropriate, possible linkages to capacity-building efforts in other areas; and

(b) Relevant ongoing and completed capacity-building activities at national, subregional and regional, bilateral and multilateral level.

35. Parties may wish to request the secretariat to:

(a) Elaborate further on a plan for facilitating capacity-building for the mechanisms, based on submissions by Parties, to be considered at the next session of the subsidiary bodies;

(b) Continue its efforts to promote the coordination among relevant UN agencies; and

(c) Develop, in cooperation with other actors, modular information kits, as described above, as well as promote a network for developing a knowledge base on design options for the mechanisms.

Annex I

PROPOSED SCHEDULE OF ACTIVITIES FOR FACILITATING CAPACITY-BUILDING

Month/ Year	National	Subregional and regional			International Community			Information/ training products
		CDM	Article 6	ET	CDM	Article 6	ET	
6/99 SB 10					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
7/99								
8/99								
9/99								
10/99								Info Kit, Version 1
11/99 COP 5					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
12/99								Info Kit, Version 2
1/00		WS (UN agencies/ UNFCCC)	WS (UN agencies/ UNFCCC)	WS (UN agencies/ UNFCCC)				
2/00								
3/00								
4/00					WS (UNFCCC)	WS (UNFCCC)	WS (UNFCCC)	
5/00								
6/00 SB 12					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
7/00								Info Kit, Version 3
8/00								
9/00								
10/00								
11/00 COP 6					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
12/00								Info Kit, Version 4

CDM = clean development mechanism; ET = emissions trading; JI = joint implementation;
WS = Workshop; UN agencies= United Nations agencies (UNCTAD, UNDP, UNEP, UNIDO, as appropriate)

Annex II

EXAMPLES OF CAPACITY- BUILDING FOR THE CLEAN DEVELOPMENT MECHANISM

Phase /Issues	Capacity-building needs	Activity / information - training products	Beneficiaries / actors
pre-COP 6/Design			
Awareness-raising	Increase awareness of climate change issue	Global, regional workshops	Policy makers, senior executives of private sector, non-governmental organizations
	Increase awareness of CDM	Subregional, national workshops	Technical experts of public and private sectors, non-governmental organizations
	Expand information on potential partners	Website, bulletin board	Project developers, investors (public and private)
Elaboration of options	Technical training on options regarding methodological issues (baselines, additionality, certification, etc.)	Modular information kit	Technical experts of public and private sectors, non-governmental organizations
post-COP 6 / Implementation			
Early implementation and operationalization	Application of technical guidelines for: - baselines - sustainable development benefits - project validation, reporting and certification - adaptation	National workshops, modular information kit	Policy makers, project developers and operators (public and private), non-governmental organizations, local governments
	Information on project finance options	National workshops, modular information kit	Policy makers, project developers, non-governmental organizations, local governments
	Information on national and international investment law in relation to the CDM	Regional and national workshops	Policy makers, project developers, non-governmental organizations, local governments
Review	Structure for monitoring and evaluating implementation	Subregional and regional workshop for comparing experiences	Policy makers, technical experts, project developers and operators

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ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Issues to be addressed in the review of the pilot phase, including the third synthesis report on activities implemented jointly

Note by the secretariat

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Annexes[1]

Annex 1

Table 1. Activities implemented jointly under the pilot phase: main features of projects

Table 2. Number of activities and GHG impact, by activity type, during project lifetime

Table 3. Number of activities, by type and region

Annex 2

Draft revised uniform reporting format for AIJ

[1] The annexes to this document are contained in an addendum, document FCCC/SB/1999/5/Add.1.

INTRODUCTION

1. The Convention stipulates, as one of its principles, that efforts to address climate change may be carried out cooperatively by interested Parties (Article 3.3). By its decision 6/CP.4,[2] the Conference of the Parties (COP), at its fourth session, reaffirmed decision 5/CP.1[3] through which a pilot phase for activities implemented jointly (referred to below as "AIJ pilot phase") had been established among Parties included in Annex I to the Convention (Annex I Parties) and, on a voluntary basis, with Parties not included in Annex I to the Convention (non-Annex I Parties) that so requested.

2. This document on the AIJ pilot phase has two main parts and an addendum,[4] and responds to various mandates: (i) part one contains a report on issues to be addressed in a comprehensive review of the AIJ pilot phase at the eleventh sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI), with a view to preparing a recommendation to the fifth session of the COP on further steps;[5] (ii) part two, the third synthesis report on the AIJ pilot phase, called for in decision 5/CP.1, is to assist the COP in reviewing the progress of the pilot phase and in taking a conclusive decision on the pilot phase and the progression beyond that, no later than the end of the present decade; and (iii) the addendum, which in annex 1 contains tables listing and structuring information related to all AIJ projects, and which presents, in annex 2, a proposal for a revised uniform reporting format (URF) based on inputs by Parties to the secretariat on their experience in using the URF adopted in decision 10/CP.3.[6]

3. The document draws upon submissions by eleven Parties which responded to the request for information by 7 July 1999, on the experience emerging from 122 AIJ projects currently in various stages of implementation, and on methodological work carried out in the course of the AIJ pilot phase.

4. Parties may wish to note that references to the AIJ pilot phase are also contained in the synthesis of proposals by Parties on principles, modalities, rules and guidelines for mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol (FCCC/SB/1999/8), in particular in the parts on Article 6 projects and on the clean development mechanism (CDM).

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[2] For the full texts of decisions adopted by the Conference of the Parties at its fourth session, see document FCCC/CP/1998/16/Add.1.

[3] For the full texts of decisions adopted by the Conference of the Parties at its first session, see document FCCC/CP/1995/7/Add.1.

[4] See footnote 1.

[5] See document FCCC/SBSTA/1999/6.

[6] For the full texts of decisions adopted by the Conference of the Parties at its third session, see document FCCC/CP/1997/7/Add.1.

PART ONE: REPORT ON ISSUES TO BE ADDRESSED IN A COMPREHENSIVE REVIEW OF THE AIJ PILOT PHASE

I. INTRODUCTION

5. The subsidiary bodies at their tenth sessions agreed that the review of the pilot phase referred to in decision 5/CP.1, paragraph 3 (b) and decision 6/CP.4 shall address, *inter alia*, those issues listed as headings below. Parties were invited to submit additional views and information by 7 July 1999. The secretariat was requested to prepare a report based on these[7] as well as on additional information provided within the reporting framework for the AIJ pilot phase using the uniform reporting format. Aspects which emanated from work on methodological issues identified by the SBSTA at its fifth session and relevant work related to Articles 6 and 12 of the Kyoto Protocol are also being referred to.[8]

II. ISSUES

A. Geographical distribution of projects, particularly the lack of projects in Africa, and the analysis of contributing factors

6. The number of Parties which are gaining practical experience and are "learning-by-doing" through the AIJ pilot phase has quadrupled since 1997. There has been a 30 per cent increase in the number of projects[9] and of host countries over the past year, with four of the eight new host countries being located in Africa. Among the 44 Parties currently accumulating experience with AIJ, 33 do so as host and eleven as investor Parties. The detailed list of projects, and related tables, are contained in annex 1 to this document.[10]

7. The distribution of projects across regions and countries remains uneven in spite of recent improvements. Two thirds of projects are carried out among Annex I Parties, i.e. between Annex II Parties as investors and Parties with economies in transition (EIT) as hosts, with over a third of

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[7] Four Annex II Parties (Australia, the Netherlands, Switzerland and the United States of America) and one non-Annex I Party (People's Republic of China) submitted such additional information and views.

[8] The methodological issues were identified in the report on the work of the fifth session of the SBSTA (FCCC/SBSTA/1997/4). Work by the secretariat on these issues has been reported on in documents FCCC/SBSTA/1997/INF.3 and FCCC/CP/1998/INF.3. The compendium of presentations made at the UNFCCC Technical Workshop on Mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol was made available to all Parties at the tenth sessions of the subsidiary bodies.

[9] This synthesis report reflects only those AIJ projects for which reports were received, either jointly or separately, from all designated national authorities (DNA) of Parties participating in an activity as indicated in annex IV to document FCCC/SBSTA/1996/8. (See also paragraph 57.)

[10] For up-to-date information on the AIJ pilot phase, please refer to the UNFCCC Internet site (http://www.unfccc.de/program/aij). Parties will be informed of any changes through an oral update at the sessions of the subsidiary bodies.

all projects being concentrated in two EIT countries (Latvia (24) and Estonia (20)). However, the number of projects hosted by non-Annex I Parties is increasing: whereas only three such Parties reported AIJ projects in 1997, their number has risen to 22, constituting two thirds of all host Parties. Five projects are now reported in the African region (AFR) and are located in Burkina Faso, Mauritania, Mauritius, Morocco and South Africa. In the Asia and Pacific region (ASP), there has been an increase, within one year, from six to nine projects, involving Bhutan, China, Fiji, India, Indonesia (two projects), the Solomon Islands, Sri Lanka and Thailand. There are 29 projects in Latin America and the Caribbean (LAC). Of these, Costa Rica continues to host the most projects (nine), while Mexico has five, Honduras and Bolivia four each, and Ecuador and Guatemala two activities, respectively. Belize, Nicaragua and Panama have one project each.

8. Parties identified, *inter alia*, the following reasons for the uneven distribution: (a) differences in the investment climate; (b) cultural differences; (c) insufficient infrastructure; (d) institutional capacity; (e) relative absence of investment companies; (f) lack of a policy on AIJ and of a clear and transparent set of operational rules on the part of the host country; (g) lack of awareness in the private sector in host countries on opportunities represented by AIJ; (h) variations in the degree of knowledge and acceptance of AIJ by local stakeholders; (i) lack of capacity to produce comprehensive AIJ project proposals; (j) existing preferences, driven by established business partnerships, strategic considerations and political priorities for investors for particular areas; (k) differences in GHG reduction costs and in transaction costs due to, *inter alia*, some of the above points; and (l) current exclusion of crediting for GHG reductions or removals by sinks.

9. Carrying out national strategy studies, and, importantly, adopting a favourable policy and clear and transparent rules and regulations were seen to be crucial steps in addressing some of the obstacles and in building capacity. However, one Party stated that it was unlikely that existing systemic barriers to foreign direct investment in some countries could be overcome by incentives offered under AIJ or even under Article 6 or CDM projects.

B. Contribution of projects to capacity-building and institutional-strengthening needs of Parties, particularly of host country Parties

10. As the number of participating Parties and projects has increased, the AIJ pilot phase is helping to build capacity, particularly by enhancing procedural and institutional experience. Generally, the involvement in the projects ("learning-by-doing") provided exposure to the difficulties of designing baselines and identifying additionality, to the operation and management of projects, and the setting up of institutional arrangements both in host and investor Parties. Host Parties which set up an AIJ unit appear to be more successful in attracting financial resources and in directing them towards priority areas of national development. Parties are expanding their activities in this respect by designating national focal points for AIJ and calling

for and participating in technical workshops, seminars and conferences on the AIJ pilot phase and on the project-based mechanisms pursuant to Articles 6 and 12 (CDM) of the Kyoto Protocol.

11. Experts in a UNFCCC workshop on capacity-building, held in 1998, further stressed that capacities and needs varied among host countries due to differences in the environment for investment, policy and project development, the level of infrastructure development, and administrative structures. Key elements for increasing the likelihood of success of projects were the existence of local promoters who could catalyse government action; the awareness for the climate change-development link by policy makers; and the provision of an enabling environment. Stages of possible action by host countries and practical steps were presented (see FCCC/CP/1998/INF.3).

12. One Annex II Party, stressing that the views of host Parties were essential for the review process on the issue of capacity-building and institutional-strengthening, forwarded a summary on the needs identified by experts from EIT countries.[11] These are as follows: (a) increased public environmental awareness and "climate literacy"; (b) regular access to updated information on climate change, AIJ, Article 6 and CDM opportunities by business/industry, municipalities, local authorities and NGOs, in particular in local languages; (c) improved knowledge regarding vulnerability to climate change, the limited financial resources for climate-specific mitigation and/or adaptation policies, and the potential benefits of the Kyoto Protocol mechanisms; (d) specific expertise to identify, evaluate, implement, manage and monitor AIJ, Article 6 and CDM projects (e.g. capacity for financial analysis of projects; managerial competence); (e) policy expertise to link strategies/plans with a realistic economic-financial analysis; (f) environmental expertise in the private sector and improved knowledge of technology options (costs, benefits); (g) infrastructure and know-how to conduct quantitative modelling studies (e.g. emission projections, estimations for trading potential); and (h) design of efficient institutional arrangements.

13. In order to be able to better assess the degree to which involvement in the AIJ pilot phase was leading to the strengthening of endogenous capacity, the draft revised URF (see annex 2) specifically requests further information, for example on actors involved in the identification of the baselines.

14. It may be further noted that the issue of capacity-building related to, *inter alia*, project-based mechanisms is addressed in document FCCC/SB/1999/6 to be considered under agenda item 7, Capacity-building, at the eleventh sessions of the subsidiary bodies.

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[11] For detail, please refer to "Synthesis Study of the National AIJ/JI/CDM Strategy Studies Program". Copies may be obtained through the Swiss AIJ Pilot Program, the Ministry of Environment of Finland and/or the World Bank.

C. Contribution to the host country's sustainable development needs, priorities and strategies

15. AIJ projects are generally seen to contribute to national environmental, economic, social and development goals as indicated in the synthesis below, even though the level of detail of information is often limited. Parties indicate a range of goals and objectives with which AIJ are to be compatible: some state sustainable development goals in the areas of forestry and land-use, energy and transport, and the need to balance trade in traditional and non-traditional goods. Others require the activity to be in accordance with, or in support of, specific national, sectoral and/or local policies and describe relevant selection criteria.

16. Views and/or information, studies and articles on this matter were forwarded by some Parties which suggested that the contribution to sustainable development by these activities should be assessed by the host Parties. One Party suggested that it might be useful for the COP/MOP to issue guidelines for the assessment of the contribution of CDM projects to sustainable development by host Parties. Such guidelines might require, for example, that local stakeholders be involved in the assessment process or that the host Party involved must define one or more quantitative/qualitative indicator(s) of sustainable development for each project, which can be tracked over the course of the project.

D. Assessment of environmental benefits related to the mitigation of climate change that would not have occurred in the absence of AIJ, covering all relevant sources, sinks and reservoirs of greenhouse gases and the methods used to measure, monitor and independently verify these emissions, including by type of project, and other environmental benefits

17. The combined GHG emissions reduction impact over the lifetime of AIJ projects is estimated at 206 million tons of carbon dioxide (CO_2) equivalent (as compared to 162 million tons in 1998). The average impact per project, over an average lifetime of 16 years,[12] would thus be 1.9 million tons of GHG emissions reduced or sequestered.[13] Some four out of five projects are energy efficiency and renewable energy projects. Of the overall abatement impact, 12 forestry projects are estimated to provide 65 per cent, and 13 renewable energy and 3 fugitive gas projects approximately 14 per cent each. Four per cent are estimated to come from 40, mostly relatively small, energy efficiency projects. The actual GHG emissions reduced or sequestered are currently small compared to those estimated, mostly owing to the fact that many projects are at an early stage of implementation.

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[12] The definition of lifetime varies between projects in the absence of a definition in the URF. The draft revised URF contains a new set of dates and proposes a definition of lifetime.

[13] This is based on data on estimated greenhouse gas (GHG) emissions reduced or sequestered available from 108 of the 122 projects.

18. With regard to methods to assess environmental benefits, most Parties indicate that further guidelines on the methodologies for identification of baselines are required. Some Parties report that they have elaborated such guidelines for project developers. The environmental benefits of an AIJ project related to the mitigation of climate change are considered to be measurable if the actual level of GHG emissions of the project case and the level of GHG emissions in the baseline scenario can be established with a reasonable degree of certainty.[14] The conditions under which one or the other approach could be more efficient and the trade-offs involved are currently being discussed in anticipation of the project-based mechanisms under the Kyoto Protocol.

19. On the issue of measurement, monitoring and independent verification of emissions, methods will depend on the type of project, its particular technological characteristics and effects outside the system boundary. Guidelines and protocols for monitoring and verification will need to be developed that take into account this variety of characteristics. Some national guidelines on these issues have been developed and may serve as a starting point. Some Parties made proposals on working definitions of some key terms which are similar to those made by participants in a UNFCCC workshop[15] in 1998, which included experts from auditing and certification companies, representatives of AIJ national registration offices and representatives of designated national authorities.[16] Further technical papers on these issues were presented at the UNFCCC technical workshop on the mechanisms under Article 6, 12 and 17 of the Kyoto Protocol and are included in the compendium of presentations which was made available to Parties at the tenth sessions of the subsidiary bodies.

E. Contribution of projects and related activities to the transfer of environmentally sound technologies to the host country

20. The information currently available does not indicate the degree to which individual projects have contributed to the transfer of environmentally sound technology and know-how: Several pathways for the transfer of technology were, however, frequently described in a generic way, including the provision of technical expertise (via specialists); cooperation between foreign suppliers and local partners; technical meetings (e.g. conferences and seminars); technical advice

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[14] FCCC/SBSTA/1997/INF.3.

[15] See document FCCC/CP/1998/INF.3.

[16] The following can be seen as generic definitions for project-based mechanisms, including AIJ: (i) "approval": the requirement that the voluntary participation in a project is approved by each Party involved; (ii) "monitoring": the periodic systematic surveillance/measurement of the performance of the project and collection of data; (iii) "verification": the independent evaluation of results that have been achieved against preset criteria; (iv) "certification": the procedure by which an independent accredited body gives written assurance that a set of criteria is met by an activity or a performance achieved. It is noted that certification is not a requirement under AIJ. Two projects have, however, undergone a third party verification and certification process (one in forestry and one in energy). So far, no detailed reports have been submitted by Parties involved in those activities on experience and lessons learned.

(e.g. documentation and training); and networking among different groups involved (e.g. between plant owners with similar problems).

21. One host Party noted that AIJ projects may have contributed to the demonstration and dissemination of environmentally sound technologies but that the extent of technology transfer in the context of AIJ was hard to assess in the absence of guidelines and standards. The draft revised URF in annex 2 to this document contains suggestions for improving the reporting of information.

F. Identification of factors that might increase the number of projects implemented under AIJ, taking into account the provisions of decision 5/CP.1, paragraph 1

22. Parties listed the following reasons as hindering the increase in the number of AIJ projects: (a) the current lack of obligation (such as domestic legislation) for the private sector in Annex I Parties to limit GHG emissions; (b) lack of crediting of GHG emission reductions and removals by sinks; (c) the lack of project development, approval and operational capacity in host countries; (d) the uncertainty, related to points (a) and (b) above, regarding the likelihood of ratification of the Kyoto Protocol and the eligibility of AIJ projects for credits in the context of Article 6 and the CDM; (e) high transaction costs; and (f) the uncertainty regarding two major interlinked methodological issues, the identification of the project baseline and additionality.

23. Notwithstanding the importance of the factors stated above, the knowledge base - a prerequisite for the promotion of AIJ projects - has markedly increased as more Parties have become aware of the potential benefit of being engaged in the AIJ pilot phase and as the number of projects of different types and their regional spread are expanding. Also, over the last one and a half years several regional and national workshops on AIJ, and/or the CDM, have furthered this objective. Other knowledge indicators are also pointing upward, such as experience with different types of projects by one host or experience with projects in different regions by an investor Party.

G. Assessment of the uniform reporting format and elaboration of options for its improvement, including a list of standardized terminology and common definitions for key terms, *inter alia*, related to costs, baselines, monitoring, reporting and verification

24. The quality of reporting, i.e. the degree of homogeneity, scope and detail of reporting has significantly improved. Reports still varied, however, in terms of details of coverage which limits the possibility to provide analyses on some key issues, such as environmental, social/cultural and economic benefits, and the cost-effectiveness of projects.

25. The draft revised URF, contained in annex 2, reflects views by Parties and attempts to enhance the standardization of information and user-friendliness. While further work is required on the development of common terminology and standardized definitions, the draft revised URF makes several suggestions, such as on cost items and other issues (see also H. below). It is also proposed that henceforth simultaneous and joint reporting by all DNAs involved, using the URF, be mandatory.

H. Consideration of costs, including costs of greenhouse gas reductions and transaction costs, and examination of related methodologies

26. AIJ are to "contribute to cost-effectiveness in achieving global benefits" and should "bring about real, measurable long-term benefits related to the mitigation of climate change that would not have occurred in the absence of such activities" (decision 5/CP.1). It is therefore of importance to be able to assess the difference in cost between the AIJ project and the considered baseline option.

27. The basis for calculating costs and GHG mitigation effects is, however, often insufficiently explained in the reports and does not allow for the replication of the calculation. There is no consistency in defining the costs of the AIJ component and other items, such as the lifetime of the activity and technical data. Most of the data on costs, cost-effectiveness, and the amount of GHG abated or sequestered remain at the level of estimates of varying accuracy, mainly because of uncertainty about appropriate procedures for establishing baselines as well as definitional and conceptual problems. Their usefulness for analysis is therefore limited. The draft revised URF in annex 2 addresses these issues and includes suggestions on how to modify the URF so that such information becomes more consistent and provides a better basis for analysis.

28. Referring to methodological approaches, one Party reported that it requires project proponents to use the net present values (NPV) method for cost and revenue items, both expressed in real US dollars (indicating a base year). This method allows all values to be brought to a comparable unit/value at one point in time, taking into account effects such as, *inter alia*, inflation, interest rates (discounting) and purchasing power differences. This standard method was easily applied by using spreadsheets. Its use may require, however, that assumptions are revealed on some key parameters which may imply the institution of confidentiality procedures.

29. Regarding the determination of cost-effectiveness, i.e. through the comparison of costs per ton of CO_2 equivalent reduced of various (project) scenarios, a Party suggested that the NPV of the costs of the AIJ project could be compared to that of the baseline project costs. The difference could be related to the GHG reduced or removed by the AIJ project. This method would ensure that all possible cost differences were taken into consideration.

30. Parties have suggested that the cost items should be defined in a harmonized fashion as follows: (i) project development costs; (ii) capital costs; (iii) implementation/installation costs; (iv) operation and maintenance costs (including fuel costs as one sub-item); and (v) other costs. It may be necessary to identify sub-items to be covered in each of the above categories to ensure the full comparability of information. If Parties wish to develop this further, the section on costs in the URF would require additional revision based on input from experts.

31. Some Parties submitted views on transaction costs. It is generally noted that transaction costs associated with the AIJ pilot phase are relatively high at the macro- as well as at the project-level. No cost figures have, however, been clearly defined and reported. Some Parties indicated that transaction costs were incurred, *inter alia*, for match-making between promoters and potential investors; awareness-raising on AIJ and the Convention; determining credible baselines; and obtaining host and investor country approval. The lack of a common terminology and guidelines was identified as an additional factor. Through addressing these issues and by gaining practical experience, some of these transaction cost items could, however, be expected to decrease. In clearly distinguishing between production costs and transaction costs, some items currently subsumed under the latter (e.g. baselines and additionality identification, monitoring, verification) may, for example in the case of CDM projects, be allocated as production costs incurred for generating certified emission reductions.

32. The issue of transaction costs is an important element of the discussion on different approaches to baseline setting. While a 'top-down' or a 'benchmark' approach may involve lower costs for project developers/implementers than a 'project-specific' baseline setting,[17] the costs to the public budgets (e.g. for establishing *ex ante*, and updating, 'benchmarks' for a number of project types in a variety of contexts) may be substantial.

I. Evaluation of how standardized methodologies for project review and approval, by both the host and sponsoring Parties, may enhance overall transparency and reduce transaction costs

33. One host Party stated that Parties may have different situations and procedures for approval and review and that therefore no standardization was necessary. Other Parties argued that a set of operational criteria and guidelines for project identification (including for baselines and additionality), reporting, monitoring and verification - reflecting the international rules adopted by COP, along with a set of common terminology - would facilitate transparency and reduce transaction costs. Further improvements with regard to transparency and reduction of transactions costs could be achieved through making information on national approval

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[17] The project-specific approach is based on some combination of engineering judgement and site-specific analysis to generate a customized estimate for each project or activity; the 'matrix'/ 'benchmark' approach often relies on an engineering approach to set standard baseline values for a particular technology, land-use practice or industrial sector; finally, the 'top-down' approach seeks to set a generalized baseline for a country or a major sector of the economy and often relies on a form of macroeconomic analysis (FCCC/CP/1998/INF.3).

procedures and additional project eligibility criteria (e.g. designated national authority, priority sectors, particular type of projects) more easily available.

34. The draft revised URF aims at meeting some of these concerns. Further work may, however, be required for issues as stated below.

J. Identification of further work required with respect to baselines, project monitoring, reporting and verification procedures

35. Parties indicated that areas of further work may include:

(a) Development of common terminology and standardized definitions;

(b) Development of operational criteria for various approaches for baseline identification and additionality, as part of the development of guidelines;[18]

(c) Revisions of the URF, as deemed necessary;

(d) Development of guidelines and standard protocols for monitoring and verification;[18] and

(e) Identification of key policy issues that would have an impact on the development of guidelines.

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[18] In conjunction with the tenth sessions of the subsidiary bodies, the secretariat convened a CC:FORUM on project-based mechanisms, which addressed, *inter alia*, the identification of baselines, monitoring, reporting, verification and certification issues. It will hold another such event in conjunction with the eleventh sessions of the subsidiary bodies, thus providing representatives of Parties and experts the opportunity to further exchange expertise and experience.

PART TWO: THIRD SYNTHESIS REPORT ON AIJ UNDER THE PILOT PHASE

I. INTRODUCTION

36. This third synthesis report covers 122 AIJ projects for which information was submitted. Regarding national AIJ programmes, no additional Parties submitted information, even though some Parties provided updates on activities contained in earlier reports. From these few inputs, no new conclusions could be drawn. Detailed information on some of those programme reports is available in electronic format on the UNFCCC Internet site.[19]

II. SYNTHESIS OF REPORTS ON AIJ

37. The results emanating from the reports are summarized in accordance with the structure of the URF. Subheadings, shown underlined within the paragraphs, are followed by the URF number in parentheses.

A. Description of projects

38. The list of projects by type and title (A.1) is contained in table 1 of annex 1 to this document (see also paragraph 57 below).

39. Among the participants/actors (A.2) currently engaged in AIJ are governmental agencies, private sector enterprises including international auditing and certification companies, non-governmental organizations, academic institutions, the International Bank for Reconstruction and Development (hereinafter referred to as the World Bank) and the Global Environment Facility (GEF).[20] Functions within the AIJ ascribed to the host country participants included: acting as a government contact for implementing projects; owner of the facility at the activity site; local investor and developer; as well as agency responsible for reporting on and implementing AIJ projects or for activity evaluation. The functions of the investor country participants focused on technical and financial roles. Specific functions were the provision of technical support and transfer of know-how; management and administration of AIJ; scientific monitoring; and financing of the monitoring costs. As there is currently no detailed standardized information on the role and activities of the participants, the draft revised URF contains proposals in this respect (see annex 2).

40. Activity (A.3) information is structured into (a) a general description of the activity; (b) a classification of activities by type; (c) an identification of the location; (d) an expected starting and ending date as well as the lifetime of the activity, if different; (e) the present stage of the activity; and (f) technical data.

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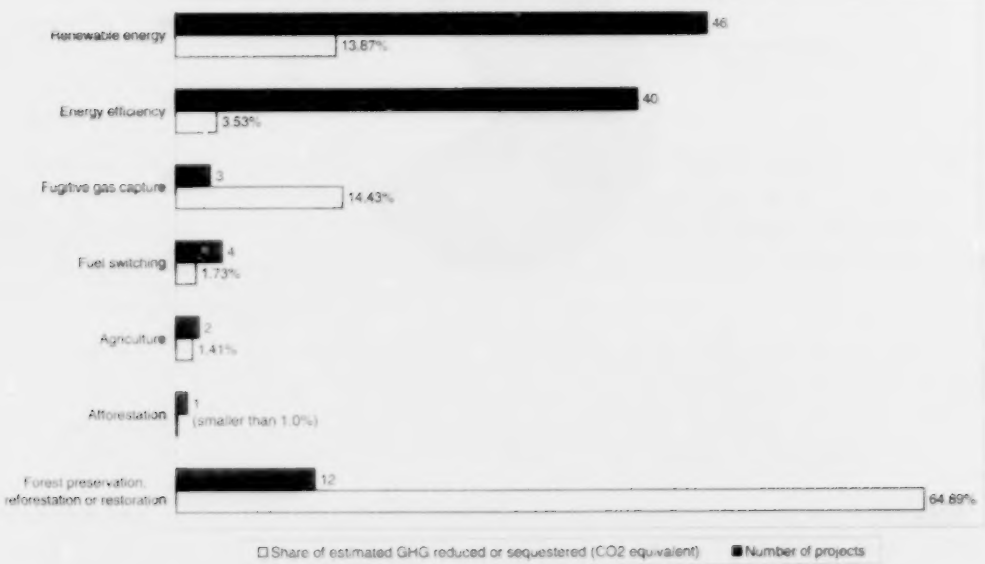
[19] UNFCCC internet site: http://www.unfccc.de/program/aij

[20] In these cases, the AIJ enhanced the scope of the GEF activity.

41. The 122 projects fall into the following categories (the respective number of projects being indicated in parentheses): renewable energy (46); energy efficiency (49); fugitive gas capture (4); fuel switching (7); agriculture (2); emissions/sequestration from afforestation (2); and forest preservation/restoration or reforestation (12). No activities involving industrial processes, solvents, waste disposal or bunker fuels have so far been reported. In summary, 75 per cent of the projects were in the areas of either renewable energy or energy efficiency.

42. Figure 1 shows the number of activities by type related to the share of the estimated GHG emissions reduced or sequestered, expressed in CO_2 equivalent, for those 108 projects for which such information was available. Approximately two thirds of the estimated GHG impact of current AIJ projects is derived from 12 forest preservation, reforestation or restoration projects. Renewable energy and fugitive gas projects contribute about 14 per cent each to the estimated total effect. Energy efficiency projects account for less than five, fuel switching for under two per cent, and afforestation and agriculture for about one per cent of the total estimated impact. Fourteen projects (afforestation (1), energy efficiency (9), fuel switching (3) and fugitive gas capture (1)) did not provide data that was usable for this comparison. It should be noted that, due to their scope, some projects could be classified in several categories. The draft of the revised URF contained in annex 2 suggests definitions and multiple categorization.

Figure 1. Number of activities and share of estimated GHG reduced or sequestered, by type of project

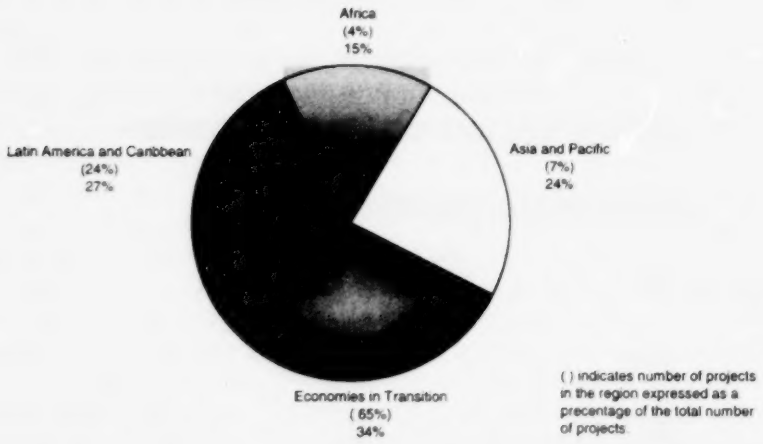


43. In analysing the distribution of projects by type of activity and their GHG impact, it should be borne in mind that a significant number (54) of small activities of a similar type are being carried out in three host Party countries (see table 1). Their projects are in the areas of

energy efficiency (mainly improvement of municipal/district heating systems) and renewable energy (conversion to bio-fuel boilers). These projects are small in terms of investment as well as in their GHG impact, and other projects have clustered such activities and reported them in an aggregated manner as one project.

44. Figure 2 relates the number of host Parties to the number of projects by region expressed as a percentage of the respective total. With the recent expansion in the number of projects, the geographic distribution of activities has begun to improve. Particularly Africa (AFR), now representing 15 per cent of all host Parties, showed an increase since 1998 from one to five projects. In the Latin America and Caribbean (LAC) region, the number of projects increased from 20 in 1998 to 29, and for the Asia and Pacific region (ASP) from six to nine projects. While economies in transition (EIT) represent 34 per cent of host Parties and carry out 65 per cent of all projects, these numbers should be seen in the context of paragraph 43 above.[21]

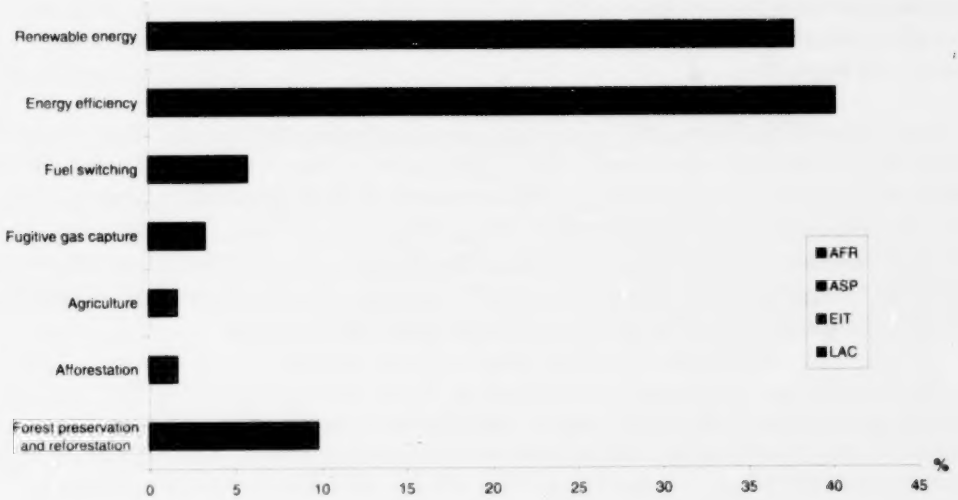
Figure 2. AIJ host Parties by region
- as a percentage of all host Parties -



[21] The five African projects are located in Burkina Faso, Mauritania, Mauritius, Morocco and South Africa. Parties hosting AIJ in the Asia and the Pacific region include Bhutan, China, Fiji, India, Indonesia, Solomon Islands, Sri Lanka and Thailand. Belize, Bolivia, Costa Rica, Ecuador, Honduras, Guatemala, Mexico, Nicaragua and Panama are hosting projects in the Latin America and Caribbean region. EIT hosts are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Russian Federation and Slovakia.

45. Figure 3 shows that activities in the areas of energy efficiency, renewable energy, fuel switching and fugitive gases are mainly implemented in EIT countries while forestry-related activities are dominant in LAC countries. Projects in Africa aim at providing renewable energy sources and energy efficiency. No forestry-related projects have been reported in Africa.

Figure 3. Distribution of activities, by region and type
- as a percentage of the total number of projects -



46. Another interesting indicator is the variety of experience gained by one host. One EIT country is gathering experience with five different types of activities, three hosts in LAC are exposed to four different types each, while another EIT country gains experience with three different types. Ten hosts are involved in two project types each, and 18 hosts have just one type of activity.

47. Currently available data show lifetimes of activities ranging from below five to 60 years, with an average of about 16 years. Approximately one third of the projects are in the 16-20 year (12) and over 20-year (29) range. Only very few projects (8) run for less than five years. For eleven activities it was not possible to identify the lifetime from the information provided.

48. In reporting on the stage which an activity has reached, Parties currently have divergent interpretations of the three available descriptors provided for in the URF. In some cases, indicated stages appear to be in contradiction with other information on the same project, for example projects are being reported as completed while not having reached the end of their

lifetime. Bearing this caveat in mind, the information that 33 projects[22] are reported as being "mutually agreed", 39 as "in progress" and 50 as "completed" should be taken with caution. In the absence of reliable information on the stage of implementation, data on actual GHG emissions reduced or removed cannot be properly analysed. The draft revised URF in annex 1 provides a proposal for a refined definition of stages.

49. Technical data, in general, relate to the scale of deployment of the technology (for example, installed capacity, throughput, etc.). There was little description of such technologies (such as particular models, configurations of equipment, associated technologies). Section G of this part of the document covers, *inter alia*, the issue of transfer of environmentally sound technology and know-how.

50. Cost information, to the extent possible (A.4): Information on costs has been provided with some level of detail in most reports. Some reports specify the distribution of types of costs over the years, while others just provide cumulative cost data. Cost items differ between reports. In some cases the methodology and assumptions (e.g. discount rates) have been indicated. In order to provide transparency, consistency and replicability of cost calculations, the draft revised URF in annex 2 suggests improvements. Parties may wish to provide guidance on the treatment of confidentiality of cost information in the URF and in any future reporting.

51. Mutually agreed assessment procedures (A.5): Some activity reports describe the roles of host country organizations. Most reports state that local and/or national organizations are responsible for the majority of the AIJ data collection and related monitoring activities during the operational phase of projects. Responsibilities for carrying out measurements were generally assigned to national and municipal institutions and, in some cases, to private organizations of the host country. Assessments were commonly carried out by public and private organizations of the host country. For energy-related projects in many Baltic States, for example, local organizations are appointed to monitor the project and to report to the Ministry of Environment. The responsibility to report on AIJ to the DNA was assigned, in some cases, to a private company of the investor country, and in other cases, to private or public organizations in the host country, sometimes with initial support from the investor country organizations. This distribution of responsibilities suggests that capacity-building for carrying out assessments may be needed at various levels.

52. Only a few projects mention the collection of baseline or reference case data sets, and the assessment of potential or occurring leakage (i.e. positive or negative effects outside the system boundary). Baseline analyses hardly refer to data on economic and market circumstances that may influence the energy sector in particular.

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[22] Activities that were only reported as accepted, approved or endorsed by all Parties involved, without further detail, were categorized as "mutually agreed".

53. Agriculture and forestry-based projects provide some information on parameters to be monitored, primarily forestry parameters such as above- and below-ground biomass stocks, deforestation and degradation trends, growth rates, extraction volumes, soil carbon contents, wood products.

54. Some projects state that verification will be done by the domestic AIJ office, a ministry, or an independent third party. Most projects, being in their early implementation stages, have, however, not yet chosen their third party verifier. Two projects - one in forestry and one in energy - have undertaken a verification/certification exercise involving leading international inspection and testing firms. Detailed results and experiences have not yet been reported in the URF.[23] On the basis of the current URF, no conclusions can be drawn with regard to the verifiability of baselines.

B. Governmental acceptance, approval or endorsement

55. All 122 activities listed in table 1 have been reported as accepted, approved or endorsed by the relevant DNAs involved. All reports were submitted jointly, that is by one Party providing proof, on official letterhead, of concurrence, approval, acceptance or endorsement of the information by all other Parties involved. However, in some cases such proof was submitted at a later stage, resulting in additional administrative burden and cost. In cases where the proof was not submitted in time, the report was not considered in this document.

C. Compatibility with, and supportiveness of, national economic development and socio-economic and environment priorities and strategies

56. Responses by Parties show a range of goals and objectives with which AIJ are to be compatible: some state sustainable development goals in the areas of forestry and land-use, energy and transport, and the need to balance trade in traditional and non-traditional goods. Others require the activity to be in accordance with, or in support of, specific national, sectoral and/or local policies and describe relevant selection criteria.

D. Benefits derived from the AIJ project

57. Brief qualitative and quantitative information is provided regarding environmental, social/cultural and economic benefits. Nearly all Parties state benefits in each category, often including quantitative data for environmental benefits such as reductions in emissions of GHG and also referring to SO_2, N_xO and particles. Fostering biodiversity, improving water and air

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[23] Technical papers on the issues of monitoring, reporting, verification and certification presented at the UNFCCC technical workshop on the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol, covering also the experience of a verification exercise on the Norway-Mexico AIJ project "High Efficiency Lighting (ILUM[illegible]" are included in the compendium of presentations which was made available to Parties at the tenth session[illegible]e subsidiary bodies.

quality and reducing erosion of hydrological resources are other environmental benefits mentioned. The majority of the reports indicate social/cultural benefits, including active involvement of local communities, increased public awareness, and the maintenance of natural heritage and historical sites. Among the economic benefits are savings on energy, effects of an improved work environment and economic opportunities through the introduction of new technologies. A few Parties also include the development of local production capacity through the involvement and/or establishment of local enterprises.

E. Real, measurable and long-term environmental benefits related to climate change that would not have occurred otherwise

58. Estimated emissions without the activity (project baseline) (E.1): Experience on this issue is accruing as the number and types of projects have increased. In most cases, brief descriptions of project baselines but no actual data sets were provided. Some Parties reported baselines, such as for energy efficiency projects, that assumed no change in the pattern of energy consumption over the lifetime of the activity. Other Parties reported a continuation of present trends, for example assuming declining carbon stocks or unsustainable energy consumption patterns. Assumptions, in some cases, imply that there would be no technological advance or energy efficiency improvements in the absence of an AIJ. One Party indicated the development of a "project-specific" and of a "top-down" baseline for the same project.

59. Estimated emissions with the activity (E.2): Scenarios and methodologies for calculating emissions reduced, avoided or sequestered were provided by most projects. Economic factors, system boundary and leakage were, however, in most cases, not sufficiently addressed.

60. Actual GHG emissions reduced or sequestered (Summary table E.2): As implementation is proceeding, an increasing number of projects are providing data. Except for the small projects (see paragraph 43 above), most projects, however, reported no actual emissions data at this point. The calculations of projected and actual emission reductions focused primarily on CO_2. Only a small number of reports provide sufficiently detailed data to allow for the replication of calculations.

61. The currently reported actual emission reductions are very small (approximately 1-2 per cent) when compared to the total estimated GHG reductions or removals,. This is due to the fact that most projects are at an early stage, some having long lifetimes, and that actual impacts may be progressive over the lifetime of projects. Further detailed analysis would be required bearing in mind also the differentiation by stages and possible inconsistencies in reporting. The draft revised URF contained in annex 2 addresses the lack of definition and proposes a refined system or identifying the stage reached by a project.

F. Financing of AIJ

62. Four fifths of AIJ projects, being either "mutually agreed", in "progress" or already "completed" (see paragraph 48), indicate financing sources. The information for the remaining 20 per cent of activities is unclear or not available.

63. As regards funding from Annex II sources, eight per cent of activities are funded by the private sector, 66 per cent from public sources and five per cent from a combination of the two. Private investment flows in AIJ still remain low and are involved in approximately one in seven activities. This is in contrast to the interest shown by the private sector in projects foreseen under Article 6 of the Kyoto Protocol and the CDM.

64. Two thirds of the projects involve public funds of the investing Party. These are, to the extent that it can be judged from the reports, additional to official development assistance (ODA) and contributions to the financial mechanism of the Convention. In those cases where multiple sources of funding are available, such financial additionality would need to be clearly indicated and further explained. In several projects involving funding by the GEF, the AIJ component of the project is considered to add to the climate change benefits of the original project. The nature of the public funds is diverse. One Party has, for example, instituted a revolving fund which finances technical assistance and capacity-building activities in the form of grants but provides for the remaining elements of the project loans at a preferential rate to host country entities, with the repayments by the host being reinjected into the fund.

G. Capacity-building, transfer of environmentally sound technology and know-how

65. From the information provided, it is not possible to assess the degree to which projects have contributed to capacity-building, the transfer of technology and know-how. Some projects included specific information related to the building of endogenous capacities, usually by referring to the training of a specific individual or institution. For several projects, the demonstration aspect for a particular technology was presented as an element of the transfer of technology and capacity-building.

66. Several pathways for transferring environmentally sound technology and know-how were frequently reported in a generic manner, including provision of technical expertise (via specialists); cooperation between foreign suppliers and local partners; technical meetings (such as conferences and seminars); technical advice (such as documentation and training); and networking among different groups involved (for example, between plant owners with similar problems).

67. Technology transfer was generally interpreted at the level of the project. The impact of projects on the target technology market (national or international) was rarely described, except implicitly in a few projects which are categorized as demonstration projects. Collaboration with

local suppliers and institutions was frequently emphasized, though specific details of cooperation were rarely reported upon.

68. Few projects clearly indicated the origin of the technology (manufacture or purchase), related promotional activities (such as information dissemination), barriers overcome (market, legal, institutional), institutions strengthened, new financing schemes and models or new legal or institutional arrangements introduced.

H. Additional comments

69. Most of the additional comments are specific to the activity and refer to technical, environmental, financial and coordination aspects. Such comments also stress the importance of training and capacity-building to maintain, service and manage technologies.

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Eleventh session
Bonn, 25 October - 5 November 1999
Item 5 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION
Eleventh session
Bonn, 25 October - 5 November 1999
Item 5 of the provisional agenda

ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Issues to be addressed in the review of the pilot phase, including the third synthesis report on activities implemented jointly

Note by the secretariat

Corrigendum

Paragraph 17, line 2

For 206 read 217

Paragraph 17, line 3

For 16 read 17

Paragraph 17, line 4

For 1.9 read 2

Paragraph 47, line 2

For 16, read 17

- - - - -

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Addendum

ANNEXES

This addendum contains the annexes of document FCCC/CP/1999/5. Annex 1 contains the tables referred to in part two of the document; annex 2 presents a draft revised uniform reporting format for activities implemented jointly.

GE.99-66547

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Annex 1

Table 1. Activities implemented jointly under the pilot phase: main features of projects

Activity type	Activity title	Parties (Host / Investor)	Lifetime (years)	GHG impact[a] (tons)
Afforestation	PROFAFOR	Ecuador / Netherlands	---	---
Afforestation	RUSAFOR: Saratov Afforestation Project	Russian Federation / United States of America	60	292 728
Agriculture	Community Silviculture in the Sierra Norte of Oaxaca	Mexico / United States of America	30	3 065 333
Agriculture	Project Salicornia: Halophyte Cultivation in Sonora	Mexico / United States of America	60	3 255
Energy efficiency	Adavere District Heating	Estonia / Sweden	10	2 000
Energy efficiency	AIJ Project "Energy Efficiency Improvement at ISCOR"	South Africa / Netherlands	---	---
Energy efficiency	Air Conditioner Energy Conservation Programme for the Solomon Islands	Solomon Islands / Australia	10	13 850
Energy efficiency	Aluksne District Heating	Latvia / Sweden	10	30 850
Energy efficiency	Balvi District Heating	Latvia / Sweden	10	40 000
Energy efficiency	Boiler Replacement and Cogeneration in Adazi and Cielvarde	Latvia / Netherlands	15	51 000
Energy efficiency	Burkina Faso Sustainable Energy Management	Burkina Faso / Norway	6	1 450 000
Energy efficiency	CO_2 Recovery in a Brewery in Zagreb	Croatia / Belgium	15	50 250
Energy efficiency	COGAS/ANELEC	Bolivia / Netherlands	---	---
Energy efficiency	District Heating Network Rehabilitation in Talsi	Latvia / Sweden	15	4 640
Energy efficiency	Emission Reduction at Power Plants in Romania	Romania / Netherlands	5	1 093 000
Energy efficiency	Energy Efficiency in Drinking Water Supply	Romania / Netherlands	---	---
Energy efficiency	Energy Efficiency in Mustamae (Estib)	Estonia / Sweden	20	17 070
Energy efficiency	Energy Efficiency Improvement by Hungarian Municipalities and Utilities	Hungary / Netherlands	20	240 000
Energy efficiency	Energy Saving Project in Saldus III	Latvia / Sweden	15	1 980
Energy efficiency	High Efficiency Lighting (ILUMEX)	Mexico / Norway	4.5	[b] 85 801
Energy efficiency	Horticulture Project in Tyumen	Russian Federation / Netherlands	---	---
Energy efficiency	Improvement of District Heating Bulgaria (Pleven)	Bulgaria / Netherlands	---	---
Energy efficiency	Installation of Coke Dry-Quenching Facility	China / Japan	20	---

Table 1. (continued)

Activity type	Activity title	Parties (Host / Investor)	Lifetime (years)	GHG impact[a] (tons)
Energy efficiency	Integrated Agriculture Demand-Side Management AIJ Pilot Project	India / Norway	20	1 494 600
Energy efficiency	Introduction of High Efficiency Illumination in the Residential Sector	Honduras / Netherlands	---	---
Energy efficiency	Järvakandi District Heating	Estonia / Sweden	10	3 900
Energy efficiency	Jelgava District Heating	Latvia / Sweden	10	4 120
Energy efficiency	Jelgava Energy Efficiency	Latvia / Sweden	10	800
Energy efficiency	Liepa Boiler Conversion Project	Latvia / Sweden	15	62 900
Energy efficiency	Modelling and Optimization of Grid Operation of the Gas Transportation System "Ushgorod Corridor" of Wolgotransgas (Gazprom)	Russian Federation / Germany	2	225 000
Energy efficiency	Modernization of Cement Factory in Cizkovice	Czech Republic / France	5	168 000
Energy efficiency	Mohammedia RGCC Power Plant	Morocco / Italy	23	---
Energy efficiency	Mustamäe - Mustamäe Tee, Ehitajate Tee, Sütiste Tee Energy Efficiency (cooperative houses)	Estonia / Sweden	15	2 712
Energy efficiency	Mustamae - Vilde Tee Energy Efficiency	Estonia / Sweden	10	3 000
Energy efficiency	New Boiler Plant in Ignalina	Lithuania / Sweden	25	116 820
Energy efficiency	New Boiler Plant in Limbazi	Latvia / Sweden	25	142 100
Energy efficiency	Orissare District Heating	Estonia / Sweden	10	8 500
Energy efficiency	Redesign of the Energy Process at Bacstej Kft	Hungary / Netherlands	---	---
Energy efficiency	Reduction of Atmospheric Pollution through Modernisation of the Energy Supply System in the Town of Byczyna	Poland / Netherlands	15	60 600
Energy efficiency	Saldus District Heating	Latvia / Sweden	10	3 350
Energy efficiency	Saldus Energy Efficiency	Latvia / Sweden	10	2 100
Energy efficiency	Staciunai District Heating	Lithuania / Sweden	10	3 300
Energy efficiency	Sustainable Heat and Power for Public Networks in Poland	Poland / Netherlands	15	76 765
Energy efficiency	Swiss Thermal Energy Project in Buzan and Pascani, Romania (STEP)	Romania / Switzerland	15	138 600
Energy efficiency	System Project in Kuressaare	Estonia / Sweden	25	291 250
Energy efficiency	System Project in Türi (2)	Estonia / Sweden	15	97 357
Energy efficiency	The Model Project on Effective Utilization of Energy in Re-heating Furnace in Steel	Thailand / Japan	10	34 100
Energy efficiency	Türi District Heating	Estonia / Sweden	10	9 100
Energy efficiency	Valga District Heating	Estonia / Sweden	10	7 000
Energy efficiency	Valga District Heating Renovation	Estonia / Sweden	25	20 885
Energy efficiency	Vändra District Heating	Estonia / Sweden	10	2 200

Table 1. (continued)

Activity type	Activity title	Parties (Host / Investor)	Lifetime (years)	GHG impact[a] (tons)
Energy efficiency	Võru District Heating	Estonia / Sweden	10	40 000
Energy efficiency	Zelenograd District Heating System Improvements	Russian Federation / United States of America	30	1 575 040
Forest preservation	Bilsa Biological Reserve	Ecuador / United States of America	30	1 170 108
Forest preservation	ECOLAND: Piedras Blancas National Park	Costa Rica / United States of America	16	1 342 733
Forest preservation	Forest Rehabilitation in Krkonose and Sumava National Parks	Czech Republic / Netherlands	15	9 834 120
Forest preservation	Noel Kempff Mercado Climate Action Project	Bolivia / United States of America	30	55 345 286
Forest preservation	Reduced Impact Logging for Carbon Sequestration in East Kalimantan	Indonesia / United States of America	40	134 379
Forest preservation	Rio Bravo Carbon Sequestration Pilot Project	Belize / United States of America	40	6 023 992
Forest preservation	Territorial and Financial Consolidation of Costa Rican National Parks and Biological Reserves	Costa Rica / United States of America	25	57 467 271
Forest reforestation	Commercial Reforestation in the Chiriquí Province	Panama / United States of America	25	57 640
Forest reforestation	Klinki Forestry Project	Costa Rica / United States of America	46	7 216 000
Forest reforestation	Reforestation and Forest Conservation	Costa Rica / Norway	25	230 842
Forest reforestation	Reforestation in Vologda	Russian Federation / United States of America	60	858 000
Forest reforestation	Scolel Té: Carbon Sequestration and Sustainable Forest Management in Chiapas	Mexico / United States of America	30	1 210 000
Fuel switching	City of Decin: Fuel Switching for District Heating	Czech Republic / United States of America	27	607 150
Fuel switching	Coal to Gas Conversion	Poland / Norway	17	2 992 442
Fuel switching	District Heating Tikhvin	Russian Federation/ Netherlands	---	---
Fuel switching	Energy Saving in the Slovakian Dairy Industry	Slovakia / Netherlands	1.5	---
Fuel switching	RABA/IKARUS Compressed Natural Gas Engine Bus Project	Hungary / Netherlands	20	[a]148 000
Fuel switching	Replacement of Brown Coal-fired Boilers by a Biomass-fired Boiler	Slovakia / Netherlands	1.5	7 400
Fuel switching	Rural Electrification in the San Ramón Area	Bolivia / Netherlands	---	---

Table 1. (continued)

Activity type	Activity title	Parties (Host / Investor)	Lifetime (years)	GHG impact[a] (tons)
Fugitive gas capture	Improvement of the Waste Water Infrastructure at Targo Mures	Romania / Netherlands	---	---
Fugitive gas capture	Methane Emission Reduction at Wastewater Treatment Plant in Coffee Mills	Costa Rica / Netherlands	10	122 415
Fugitive gas capture	RUSAGAS: Fugitive Gas Capture Project	Russian Federation / United States of America	28	30 955 750
Fugitive gas capture	Sanitary Landfilling with Energy Recovery in the Moscow Region	Russian Federation / Netherlands	10	255 268
Renewable energy	Aeroenergía S.A. Wind Facility	Costa Rica / United States of America	20	36 194
Renewable energy	Alizés Electrification Rurale (Alizés Rural Electrification)	Mauritania / France	20	16 315
Renewable energy	Aluksne Boiler Conversion	Latvia / Sweden	10	254 000
Renewable energy	APS/CFE Renewable Energy Mini-grid Project	Mexico / United States of America	30	7 415
Renewable energy	Baisogale Boiler Conversion	Lithuania / Sweden	10	109 000
Renewable energy	Balvi Boiler Conversion	Latvia / Sweden	10	132 000
Renewable energy	Bio-Gen Biomass Power Generation Project, Phase I	Honduras / United States of America	21	2 373 940
Renewable energy	Bio-Gen Biomass Power Generation Project, Phase II	Honduras / United States of America	21	2 373 940
Renewable energy	Birzai Boiler Conversion	Lithuania / Sweden	15	169 500
Renewable energy	Brocenia Boiler Conversion	Latvia / Sweden	10	86 000
Renewable energy	Daugavgriva Boiler Conversion	Latvia / Sweden	15	195 000
Renewable energy	Doña Julia Hydroelectric Project	Costa Rica / United States of America	15	210 566
Renewable energy	El Hoyo-Monte Galan Geothermal Project	Nicaragua / United States of America	38	14 119 469
Renewable energy	Fuel Switch From Fossil Fuels to Bio-Energy AIJ Pilot Project	Slovakia / Norway	30	51 000
Renewable energy	Grid Connected Photovoltaic Project	Fiji / Australia	1	13
Renewable energy	Haabneme Boiler Conversion	Estonia / Sweden	10	124 000
Renewable energy	Janmuiza Boiler Conversion	Latvia / Sweden	10	38 000
Renewable energy	Jekabpils Boiler Conversion	Latvia / Sweden	10	24 000
Renewable energy	Jurmala Boiler Conversion	Latvia / Sweden	10	94 000
Renewable energy	Kazlu Ruda Boiler Conversion	Lithuania / Sweden	10	44 000
Renewable energy	Kilung-Chuu Micro Hydel, Bhutan	Bhutan / Netherlands	4	25
Renewable energy	Matanzas Hydroelectric Project	Guatemala / United States of America	15	1 156 195
Renewable energy	Narva Jõesuu Boiler Conversion	Estonia / Sweden	10	8 100
Renewable energy	Paldiski Boiler Conversion	Estonia / Sweden	10	81 000
Renewable energy	Performance Monitoring of Solar Systems	Mauritius / Australia	20	2 080

Table 1. (continued)

Activity type	Activity title	Parties (Host / Investor)	Lifetime (years)	GHG impact[a] (tons)
Renewable energy	Plantas Eólicas S.A. Wind Facility	Costa Rica / United States of America	22	379 173
Renewable energy	Rauna Boiler Conversion	Latvia / Sweden	10	24 000
Renewable energy	Renewable Energy Training/Demonstration Project	Australia / Indonesia	20	1 300
Renewable energy	Rural Solar Electrification in Bolivia: Pilot Phase	Bolivia / United States of America	20	1 300
Renewable energy	SELCO - Sri Lanka Rural Electrification	Sri Lanka / United States of America	29	5 684 448
Renewable energy	Slampe Boiler Conversion	Latvia / Sweden	10	39 000
Renewable energy	Solar-based Rural Electrification in Honduras	Honduras / United States of America	24	34 398
Renewable energy	Sventupe Boiler Conversion and Energy Efficiency	Lithuania / Sweden	10	36 500
Renewable energy	Tartu-Aardla Boiler Conversion	Estonia / Sweden	15	122 300
Renewable energy	The Santa Teresa Hydroelectric Project	Guatemala / United States of America	15	1 241 130
Renewable energy	Tierras Morenas Windfarm Project	Costa Rica / United States of America	14	57 203
Renewable energy	Ugale Boiler Conversion	Latvia / Sweden	10	44 000
Renewable energy	Valga Boiler Conversion	Estonia / Sweden	10	64 000
Renewable energy	Valka Boiler Conversion	Latvia / Sweden	10	30 000
Renewable energy	Varena Boiler Conversion	Lithuania / Sweden	10	195 000
Renewable energy	Vienybe Boiler Conversion	Lithuania / Sweden	10	140 000
Renewable energy	Viesite Boiler Conversion	Latvia / Sweden	10	24 000
Renewable energy	Viljandi Boiler Conversion	Estonia / Sweden	15	147 000
Renewable energy	Võru Boiler Conversion	Estonia / Sweden	10	114 000
Renewable energy	Wind Power Plant	Latvia / Germany	10	13 500
Renewable energy	Ziegzdriai Boiler Conversion and Energy Efficiency	Lithuania / Sweden	10	22 000

a Estimated greenhouse-gas (GHG) emissions reduced or sequestered (in metric tons of CO_2 equivalent) during the lifetime of the project. Some of the values have been revised since document FCCC/CP/1998/2.

b This project absorbed two previously reported activities "CARFIX: Sustainable Forest Management" and "BIODIVERSIFIX"

c The AIJ component of this project represents only 11.8 per cent of 727 130 metric tons of CO_2 equivalent reduced by the project.

d Applying an average of various scenarios regarding the level of the future market penetration of CNG buses, the annual GHG impact is estimated to be 7 400 metric tons of CO_2 equivalent. (20 x 7 400 metric tons = 148 000 metric tons)

Table 2. Number of activities and GHG impact, by activity type, during project lifetime

Activity type	Number of activities[*]	GHG impact[**]	Average GHG impact per project[**]
Afforestation	1 (2)	292 728	292 728
Agriculture	2	3 068 588	1 534 294
Energy efficiency	40 (49)	7 674 540	191 864
Forest preservation, reforestation or restoration	12	140 890 371	11 740 864
Fuel switching	4 (7)	3 754 992	938 748
Fugitive gas capture	3 (4)	31 333 433	10 444 478
Renewable energy	46	30 120 003	654 783
TOTAL	**108 (122)**	**217 134 655**	**2 010 506**

[*] While the total number of projects is 122, only 108 project reports provided information on the GHG impact. Numbers in brackets indicate the total number of activities: one afforestation, three fuel switching, one fugitive gas capture and nine energy efficiency activities have therefore not been taken into account in calculating the average GHG impact.

[**] Estimated GHG emissions reduced or sequestered (in tons of CO_2 equivalent).

Table 3. Number of activities, by type and region

Activity type	Region[*]				Total per type
	AFR	ASP	EIT	LAC	
Afforestation			1	1	2
Agriculture				2	2
Energy efficiency	3	4	39	3	49
Forest preservation, reforestation or restoration		1	2	9	12
Fuel switching			6	1	7
Fugitive gas capture			3	1	4
Renewable energy	2	4	28	12	46
Total per region	**5**	**9**	**79**	**29**	**122**

[*] AFR: Africa, ASP: Asia and Pacific, EIT: Economies in transition, LAC: Latin America and Caribbean

Annex 2

DRAFT REVISED UNIFORM REPORTING FORMAT FOR ACTIVITIES IMPLEMENTED JOINTLY

1. The Conference of the Parties, by its decision 10/CP.3[1], adopted the uniform reporting format (URF) contained in the report of the fifth session of the SBSTA[2], and invited Parties to report in accordance with that format and to provide inputs to the secretariat on their experience in using it, so that, if necessary, changes can be incorporated.

2. The SBSTA and the SBI, at their tenth sessions, agreed that the review of the AIJ pilot phase referred to in decision 5/CP.1, paragraph 3 (b) and decision 6/CP.4 shall address several issues, including the assessment of the URF and the elaboration of options for its improvement, including a list of standardized terminology and common definitions for key terms, *inter alia*, related to costs, baselines, monitoring, reporting and verification (FCCC/SBSTA/1999/6). In this context, the following draft revised URF for AIJ has been prepared taking into consideration views by Parties expressed in the context of the review and the experience of the secretariat in preparing the second and third synthesis reports on the AIJ pilot phase.

3. In preparing the draft revision of the URF, consideration was given to the following issues:

(a) In order to encourage a better flow of data and to improve the user-friendliness of the reporting format, some structural changes have been made (see table with overview of suggested revisions). These were, however, kept at a minimum so as to avoid an additional reporting burden for ongoing activities and, hence, increased costs to Parties involved.

(b) In order to enhance the quality, in particular, the consistency, comparability and, hence, the analytical usefulness of data, explanations and guiding comments were added. A provision has been made for obtaining activity level and emission factor data.

(c) In order to gather additional information related to the identification of baselines, there is also a provision for more detailed reporting on "top-down", "benchmark"/"technology matrix" and "project-specific" baseline approaches, or combinations thereof.

4. At the eleventh sessions of the subsidiary bodies, Parties may wish to consider:

(a) Reviewing and adopting a draft revised URF; and

---

[1] For the full texts of decisions adopted by the Conference of the Parties at its first, third and fourth sessions, see documents FCCC/CP/1995/7/Add.1, FCCC/CP/1997/7/Add.1 and FCCC/CP/1998/16/Add.1, respectively.

[2] FCCC/SBSTA/1997/4.

(b) Requesting all designated national authorities (DNA) involved in an activity implemented jointly to submit reports, using the URF, jointly and simultaneously, so as to avoid the need for repeated queries and checks.

5. Issues on which Parties may wish to elaborate, with a view to eventually further improving the URF, may include:

(a) Guidance on the relationship between the URF and other areas of work such as guidelines for inventories; the methodological work on land-use, land-use change and forestry, IPCC work on good practices; and

(b) Guidance related to monitoring and verification, and to methodologies or formats for reporting economic information pertaining to social and cultural impacts.

Table: Overview of suggested revisions

URF Section	Revised URF Section	Comments
		Titles have been shortened with notes added under titles. Questions and guiding comments have been added.
A.1	B.1	No substantive change
A.2	B.2	Details of contact information are to be reported in the annex to the revised URF using a new table for contact information. A descriptor system for functions has been defined.
A.3	B.3	The table format was abandoned. Former rows in the table are now subsections. A system for categorizing projects was added (see annex 2 in revised URF). Stages of the project have been defined and new options were added. The lifetime of a project is now contained in subsection B.3.5.
A.4	E.7	Section A.4 is now section E.7 and has been completely revised. For calculations, the net present value methodology (NPV) is suggested. A new table for reporting cost information on the AIJ project is proposed. Calculations of cost per metric tons of CO_2 equivalent reduced or sequestered are not being directly reported anymore, but can be computed using the information in section E. (One Party suggested that the difference in NPV of the baseline/reference case and the project case be used as an element of the calculation of cost per tons. As some of the methodologies for identifying the baseline may not lend themselves to such a calculation, this concept has not yet been represented in the revised URF.)
A.5	E.6	Subsections were added for monitoring, verification and certification with questions and guiding comments.
B	A	This section has been revised in light of the assumption that henceforth only joint reporting is allowed. The new section allows indicating modifications.
C.	C.	No change
D. and H.3	D	These two sections have been merged and the table format converted into subsections. Some guiding comments were revised.
E.	E.	This section has been substantially revised in light of experience with, inter alia, the nature of information received through the previous format and methodological work.

URF Section	Revised URF Section	Comments
E.1	E.1	Baseline/reference scenario: Subsections were added in order to structure existing and to trigger additional information (such as identifying the developer of the baseline/reference scenario; the type of approach; reasons for selecting a baseline/reference scenario; reasons for the choice of project lifetime; detailed description of calculations of GHG values including underlying assumptions etc.)
---	E.2	New subsection added allowing reporting on revisions of the baseline/reference scenario (dynamic baselines).
E.2	E.3 and E.4	The section was split into two new sections. E.3 allows reporting on the project scenario, i.e. the projection for the activity. E.4 allows reporting information on the actual project.
Tables in E.2	E.5	The orientation of columns and rows has been changed in light of comments by Parties. Values are to be converted using 1995 IPCC global warming potential (GWP) values[3] based on the effects of greenhouse gases over a 100-year time. Three subsections are suggested representing three types of tables similar in their structure. Table E.5.1 allows reporting values on the baseline and the project scenario prior to the lifetime of the project. Section E.5.2 provides the possibility to report on revisions and E.5.3 on actual values.
F.	F	The section has been revised adding subsections and tables. Subsection one provides for an explanation on financial additionality (Financial mechanism and ODA). Subsection two and three provide a table to report on sources of funding by origin (host / investor), the category (e.g. NGO, IGO, private sector, public sector etc.) and the respective amounts sought/secured.
G.	G.	The section has been revised adding subsections and providing detailed questions.
H.	H.	The subsections have been either dropped (H.1, H.2, H.4 and H.5) or moved (H.3 see above).

[3] As provided by the IPCC in its Second Assessment Report. Please refer also to conclusions of the SBSTA at its fourth session (FCCC/SBSTA/1996/20) and decision 2/CP.3 (FCCC/CP/1997/7/Add.1).

DRAFT REVISED UNIFORM REPORTING FORMAT: ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Instructions for submission

1. The uniform reporting format (URF) contained below is to be used in reporting on activities implemented jointly under the pilot phase and was adopted by the Conference of the Parties at its [fifth] session (FCCC/CP/[1999/...]) and should be consistent with decision 5/CP.1, contained in annex 4 to this URF.

2. A report (first, interim or final) is to be submitted to the secretariat by the designated national authority (DNA) of a participating Party with proof of concurrence, on official letterhead, of all other DNAs involved in the project and is then considered to be "mutually-agreed". While the submitting Party may initially forward reports using electronic mail in combination with fax for the proof of concurrence, all documents must be made available to the secretariat in original form.

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A. **Governmental acceptance, approval or endorsement**

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- **B.1 Title of project**
- **B.2 Participants**
- **B.3 Activity summary**
- B.3.1 General description
- B.3.2 Type of activity
- B.3.3 Location (e.g. city, region, state)
- B.3.4 Stage of activity
- B.3.5 Lifetime

C. **Compatibility with and supportiveness of national economic development and socio-economic and environment priorities and strategies**

D. **Environmental, economic and social and cultural impacts**
- **D.1 Environmental impact (positive and/or negative impacts)**
- **D.2 Economic impact (positive and/or negative impacts)**
- **D.3 Social and cultural impact (positive and/or negative impacts)**

E. **Calculation of the contribution of AIJ projects that bring about real, measurable and long-term environmental benefits, related to the mitigation of climate change, that would otherwise not have occurred**
- **E.1 The baseline/reference scenario for the project**
- **E.2 Revisions of the baseline/reference scenario for the project**

E.3 The project scenario
E.4 Scope and performance of the actual project
E.5 Tables on real, measurable, long-term GHG emission reductions and/or removals by sinks (in CO_2 equivalent)
E.5.1 Projected real, measurable and long-term GHG reductions or removals by sinks
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E.6.1 Monitoring
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F. Financing
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G.1 Identification of environmentally sound technology and know-how
G.2 Characteristics of environmentally sound technology
G.3 Impact of the AIJ project on capacity-building and transfer of environmentally sound technology and know-how

H. Additional comments

Annexes

Annex 1 - PARTICIPANTS' CONTACT INFORMATION
Annex 2 - PROJECT TYPE DESCRIPTORS
Annex 3 - 1995 IPCC GLOBAL WARMING POTENTIAL (GWP) VALUES BASED ON THE EFFECTS OF GREENHOUSE GASES OVER A 100-YEAR TIME HORIZON
Annex 4 - DECISION X/CP.[5] (decision adopting the revised URF and requesting Parties to use this format)
Annex 5 - DECISION 5/CP.1

A. Governmental acceptance, approval or endorsement

* Date of this report:

* This report is a *(please underline)*:
  - First report
  - Interim report
  - Final report

* In the case of an interim or final report, please indicate which sections were modified since the last report *(e.g. B.2, E.2.4, F.2)*

* Please attach letters of concurrence, on official letterhead of **all** designated national authorities (DNA) of participating Parties. *(See "Instructions for submission" above)*

B. Summary of AIJ project

B.1 Title of project

B.2 Participants

Please describe briefly role(s) of the main participating organization(s) and provide detailed contact information in annex 1:

B.3 Activity summary

B.3.1 General description

Please provide a brief description of the project including brief information on the GHG impact as well as the type and scale of the technology deployed, such as installed capacity, through-put, etc. (up to half a page):

B.3.2 Type of activity

Please use project descriptors contained in annex 2.

B.3.3 Location (e.g. city, region, state):

B.3.4 Stage of activity *(Please underline the appropriate option)*:

* Pre-feasibility study completed

* Feasibility study completed

* In start-up phase
(e.g. ensuring financing, construction of site, purchase of land, etc.)

* In operation
(e.g. new windmill plant is connected, converted boiler reconnected, etc. and real, measurable and long-term GHG emission reductions or removals by sinks are generated)

* Completed
(project no longer generates GHG reductions or removals by sinks /has been terminated)

* Suspended
(Please indicate date when project activities are expected to resume, and give brief explanation of reasons (up to half a page)):

B.3.5 Lifetime:
Please provide the following dates, as applicable, in the format DD/MM/YYYY:

* Approval date:
(Date at which the AIJ was mutually approved by designated national authorities of ***all*** *Parties involved.)*
* Starting date:
(Date at which real, measurable and long-term GHG reductions or removals by sinks begin/began to be generated.)
* Ending date (expected):
(Date at which AIJ project is expected to no longer generate GHG reductions or removals by sinks.)
* Ending date (actual):
(Date at which AIJ project is no longer generating GHG reductions or removals by sinks / has been terminated.)

C. General compatibility with and supportiveness of national economic development and socio-economic and environment priorities and strategies

Describe briefly (up to one page) and refer to documents, decisions and laws, as appropriate:

D. Environmental, economic, social and cultural impacts

Whenever possible, quantitative information should be provided. Failing that, a qualitative description should be given.

D.1 Environmental impact (positive and/or negative)

Please provide qualitative and quantitative information reflecting environmental impact assessment standards (attach copies of reports or provide details on information sources) (up to one page):

D.2 Economic impact (positive and/or negative)

Please provide qualitative and quantitative information on key economic indicators (attach copies of reports or provide details on sources of information) (up to 1 page):

D.3 Social and cultural impact (positive and/or negative)

Please provide qualitative and quantitative information (attach copies of a report or provide details on sources) (up to 1 page):

E. Calculation of real, measurable and long-term environmental benefits, related to the mitigation of climate change, that would not have occurred otherwise

Section E.1 should describe the baseline/reference scenario, i.e. what would have occurred in the absence of the AIJ project, including methodologies applied. Section E.2 provides the opportunity to report on baseline revisions as applicable. In Section E.3, the AIJ project scenario should be presented including the methods applied to calculate the levels of emissions and removals by sinks. Section E.4 should provide information on the actual project. Section E.5 shows the data in tabular format. Section E.6 provides for the reporting of monitoring, verification and, if applicable, certification arrangements. Information on cost is to be reported in section E.7.
If this project has several sub-activities, please reproduce sections E.1 to E.5 for each sub-activity, as appropriate.

E.1 The baseline/reference scenario for the project

E.1.1 * Date of baseline study: (DD/MM/YYYY)
* Carried out by (name) *(Please provide detailed contact information in annex 1):*

E.1.2 Baseline methodology applied *(Please underline the appropriate option(s))*:

* Project-specific:
  - simulating a likely situation that would have existed without the project
  - taking an actual reference case project
  - other (*Please specify (insert lines as needed)*):

* 'Benchmark' / 'technology matrix'
* Economic or energy modeling ('top-down')

E.1.3 Reasons for selecting a baseline *(Describe briefly (up to 1 page))*:

E.1.4 Details on the methodology applied:

* System boundary/degree of aggregation *(Please underline and describe briefly below the system boundary (up to half a page))*:
  - global
  - national
  - sectoral *(please specify)*:_____
  - project
  - other *(please specify)*:_____

* Discount rates applied *(in per cent)*:
  - investor country: _____
  - host country:_____

* Risk factors *(quantify if possible)*:
  - investor country:_____
  - host country: _____

* Reasons for the choice of lifetime *(Describe briefly (up to half a page))*:

* Calculation of values reported in 'Baseline scenario' in table E.5.1 column (A):
Please describe also assumptions and factors underlying the calculations (such as activity data, load factors), as well as effects occurring outside the system boundary covering:
(i) positive effects (e.g. technology spillovers; awareness building; cost reduction of technology due to scale effects; attraction of demand for clean, reliable services); and
(ii) negative effects (e.g. displacing activities that cause emissions in another location; purchasing or contracting out of services and commodities that were previously produced or provided on-site and now lead to emissions elsewhere; emission increases due to higher demand for services and commodities whose market price has been reduced through the project; changes in emissions during a life-cycle of a product so that emissions arise in other stages of the life-cycle that are not subject to constraints). If you use an overall leakage correction factor, please explain your choice.
(up to 2 pages):

E.2 Revision of the baseline/reference scenario for the project

E.2.1 Baseline revisions are planned (please underline): Yes/ No

If yes, please complete the remainder of section E.2.

E.2.2 Revisions are planned at regular intervals (please underline): Yes/ No

* If yes, please specify date of first revision and the length of the intervals:

* If no, please explain revision schedule *(up to half a page)*:

E.2.3 If a baseline revision is covered with this report, indicate:

* List parameters changed in the revision(s) *(e.g. Revision 1 - energy demand, Revision 2: energy mix of the host grid, etc.)*:

* Date of last baseline revision: *(DD/MM/YYYY)*

* Date of the next baseline revision: *(DD/MM/YYYY)*

E.2.4 Describe briefly the nature of each revision including the calculation of the new set of values in 'Baseline scenario' in column (A) of the table in section E.5.2 *(Please be sure to take into account, to the extent possible, effects occurring outside the system boundary. Please ensure consistent references) (up to one page for each revision)*

E.3 The project scenario

E.3.1 Assumptions for the activity/project scenario and system boundary *(Indicate to which extent these assumptions and boundaries differ from the baseline scenario)*:

E.3.2 Describe the project scenario *(up to 2 pages)*:

E.3.3 Calculation of values reported in 'Project scenario' in table E.5.1 column (B)

Please describe also assumptions and factors underlying the calculations (such as activity data, load factors), as well as effects occurring outside the system boundary covering:
(i) positive effects (e.g. technology spillovers; awareness building; cost reduction of technology due to scale effects; attraction of demand for clean, reliable services); and
(ii) negative effects (e.g. displacing activities that cause emissions in another location; purchasing or contracting out of services and commodities that were previously produced or provided on-site and now lead to emissions elsewhere; emission increases due to higher demand for services and commodities whose market price has been reduced through the project; changes in emissions during a life-cycle of a product so that emissions arise in other stages of the life-cycle that are not subject to constraints). If you use an overall leakage correction factor, please explain your choice.
(up to 2 pages):

E.4 Scope and performance of the actual project

Describe changes with regard to the project scenario (See section E.3 above):

E.5 Tables on real, measurable long-term GHG emission reductions or removals by sinks (in CO_2 equivalent)

E.5.1 Projected real, measurable and long-term GHG reductions or removals by sinks

Summary table prior to the lifetime of the project
(in metric tons of CO_2 equivalent [a])

Insert rows as needed

Year	**Baseline scenario**[b] *(A)*				**Project scenario**[b] *(B)*				**Projected real, measurable and long-term GHG reductions (-) and/or removals by sinks (+)** *((B)-(A))*			
	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4	N_2O	other
TOTAL												

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*

[b] *Including effects occurring outside the system boundary.*

E.5.2 Revised projected real, measurable and long-term GHG reductions or removals by sinks

Please prepare for each revision a table starting with the year of the baseline revision

Summary table for: Revision number___ *(Please fill in as appropriate)*

(in metric tons of CO_2 equivalent [a])

Insert rows as needed

Year	**Baseline scenario**[b] *(A)*				**Project scenario**[b] *(B)*				**Revised real, measurable and long-term GHG reductions (-) and/or removals by sinks (+)** *((B)-(A))*			
	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4	N_2O	other
TOTAL												

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*

[b] *Including effects occurring outside the system boundary.*

E.5.3 Actual real, measurable and long-term GHG reductions or removals by sinks

Summary table
(in metric tons of CO_2 equivalent [a])

Please insert values assessed ex post i.e. after measurement. Insert rows as needed

Year	**Baseline scenario**[b][c] *(A)*				**Actual project**[b][c] *(B)*				**Actual real, measurable and long-term GHG reductions (-) and/or removals by sinks (+)** *((B)-(A))*				**Values indicated are:** * **verified (V)** * **certified (C)**
	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4[a]	N_2O[a]	other[a]	CO_2	CH_4	N_2O	other	
TOTAL													

[a] *Please convert values into global warming potentials, referring to annex 3 for conversion factors.*

[b] *Including effects occurring outside the system boundary.*

[c] *Values that differ from those in the table E.5.1 should be marked in* ***bold***

E.6 Mutually-agreed assessment procedures

E.6.1 Monitoring

* Does the project have a monitoring plan?*(Please underline)*: Yes / No
* Summarize briefly the key elements of the monitoring plan *(i.e. which parameters are being monitored, with what frequency, providing sampling intensities if appropriate, associated uncertainties, etc.) (not more than 1 page):*

* Is the monitoring conducted by project proponents?*(Please underline)*: Yes / No
* If no, which organization(s) is/are involved: *Kindly indicate the type of organization(s): consultancy, accredited certification body, government body, university etc. and provide their detailed contact information in annex 1 to this report:*

E.6.2 Verification

* Is the activity subject to independent verification *(Please underline)*: Yes / No
* If no, independent verification intended?*(Please underline)*: Yes / No
* If yes, what organization(s) is/are involved: *Please indicate the type of organization(s) (consultancy, accredited certification body, government body, university, etc.), and provide their detailed contact information in annex 1 to this report. Indicate the frequency of the assessments, how many assessments have taken place to date, and whether the assessment report(s) is/are publicly available if requested:*

* Summarize briefly the key elements of the verification activities: *(Please describe issues such as the project sign; project implementation; assessment of the baseline; key project parameters being verified; the frequency of assessment/surveillance; sampling approach applied by the assessing organization; etc.) (up to one page):*

E.6.3 Certification

Certification is not a formal requirement under the AIJ pilot phase. If the project has made provisions for third Party certification, please indicate the certification body, the frequency of certification, and attach copies of the certification agreement / protocol(s):

E. 7 Cost (to the extent possible)

E.7.1 The cost information is *(Please underline)*:

* provided below
* not provided because the data is *(Please underline)*:
  - not yet available
  - classified as confidential

E.7.2 Project costs and revenues

Please list cost/revenue figures per year (insert rows as needed):

Year	Cost/revenue description	incurred/ projected[a]	Amount in US$	NPV[b] in US$
(A)	(B)	(C)	(D)	(E)
Project development costs				
(1) Subtotal project development costs				
Capital costs				
(2) Subtotal capital costs				
Installation costs				
(3) Subtotal installation costs				
Operational/maintenance costs				
(4) Subtotal operational/maintenance costs				
Other costs				
(5) Subtotal other costs				
Transaction costs				
(6) Subtotal transaction costs				
Revenues				
(7) Subtotal revenues				
(8) Gross AIJ project costs ***(sum subtotals (1) to (5) above)***				
(9) Gross AIJ transaction costs ***(repeat value (6) above)***				
(10) Gross AIJ project revenues ***(repeat value (7) above)***				

[a] *Enter I=incurred, P=projected*

[b] *Use NPV method to calculate values. Please indicate hereafter relevant assumptions on, inter alia, exchange rates, discount and interest rates:*

F. Financing

F.1 Financial additionality

*The financing of AIJ shall be **additional** to financial obligations of Parties included in Annex II to the Convention within the framework of the financial mechanism, as well as to current official development assistance (ODA) flows (decision 5/CP.1). Please explain additionality in the context of this project (up to half a page).*

F.2 Project development

* Total financing required *(in thousand US$)*: ____

Insert rows as necessary

Source of project funding *including pre-feasibility phase (For each source one line)*	**Origin** [1]	**Category** [2]	**Amount** *(in thousand US$)*	
			sought	secured

[1] *Enter: H = host country, I= investor country, O=other*

[2] *Enter: 1 = Private sector contribution; 2 = Private sector loan; 3 = Public sector contribution; 4 = Public sector loan; 5= NGO contribution; 6 = NGO loan; 7= IGO contribution; 8 = IGO loan; 9 = GEF funding; 10 = ODA funding. Contribution may refer to grants or in-kind contributions (please specify).*

F.3 Project implementation/operation

* Total financing required *(in thousand US$)*: ____

Insert rows as necessary

Source of project funding *(For each source one line)*	**Origin** [1]	**Category** [2]	**Amount** *(in thousand US$)*	
			sought	secured

[1] *Enter: H = host country, I= investor country, O=other*

[2] *Enter: 1 = Private sector contribution; 2 = Private sector loan; 3 = Public sector contribution; 4 = Public sector loan; 5= NGO contribution; 6 = NGO loan; 7= IGO contribution; 8 = IGO loan; 9 = GEF funding; 10 = ODA funding. Contribution may refer to grants or in-kind contributions (please specify).*

G. Contribution to capacity-building, and the transfer of environmentally sound technologies and know-how

Note: Such contribution to other Parties, particularly developing country Parties, is to enable them to implement the provisions of the Convention. In this process, developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties

G.1 Identification of environmentally sound technology and know-how

Please identify the specific technologies transferred by providing, for each technology:

* name of manufacturer:
* place of manufacture *(Country)*:
* model names/numbers of equipment *(where appropriate)*:
* as well as any other relevant key specific technology characteristics:
* where applicable, name and location of provider and nature of training:

G.2 Characteristics of environmentally sound technology

The technology is *(underline the option)*:

* in a research and development stage
* being tested or demonstrated in similar conditions outside host country
* is at the initial stage of introduction into world market
* is at the initial stage of introduction into host market
* is commercially available and deployed in the world market
* is commercially available and deployed in the host market
* is not characterized by above options. *Please describe:*

G.3 Impact of the AIJ project on capacity-building and transfer of environmentally sound technology and know-how

Please provide information on whether the project has had an impact regarding indicators, such as:

* *information dissemination*
* *centres and networks*
* *effect on market development (e.g. relative changes in installed capacities, number of systems installed, investment volumes, sales volumes)*
* *specific barriers overcome (informational, financial, legal, institutional)*
* *institutions strengthened*
* *new financing schemes/models introduced*
* *new legal/institutional arrangements*
* *other*

(up to two pages):

H. Additional comments

Complete as appropriate:

Annex 1 to the uniform reporting format

PARTICIPANTS CONTACT INFORMATION

Please provide contact information for each organization. Add rows as required (by copying and pasting)

Name	Address [a]	Voice/Fax/E-mail
Organization(s) [b]: **Function(s) within activity[c]:**		
Officer responsible:		**Tel:** **Fax:** **E-mail:**
Contact person, if different from above:		**Voice:** **Fax:** **E-mail:**

[a] *Address should include: Department; Street; Postal code; City; Country and an Internet address of the organization (if available).*

[b] *Organization includes: institutions, ministries, government agency closely following the activity, companies, non-governmental organizations, etc. involved in the activity, i.e. research institutes associated with the project, auditors, etc.*

[c] *Function within activity: Please use the following categories:*

Function	*Description of function*
Project development	*Designing/developing the AIJ project and/or submitting the AIJ project proposal*
Project administration	*Implementing and administering the AIJ project activities*
Government regulation/oversight	*Ensuring compliance of the project with laws and regulations*
Technical assistance	*Providing scientific or other technical guidance for the purposes of project development and/or project administration*
Financing	*Serving as a source of funding for the AIJ project*
Monitoring	*Monitoring the environmental and/or socio-economic results of the project in accordance with a monitoring protocol*
Verification	*Verifying results (environmental and/or socio-economic) achieved by a project against preset criteria*
Certification	*Providing written assurance that a performance is achieved and/or a set of criteria is met by an activity*
Other (please specify)	

Annex 2 to the uniform reporting format

PROJECT TYPE DESCRIPTORS

To describe the type of project activity, please specify the sector(s) and activity(ies). Use a combination from the first column and one option from the second column.

Sector	Activity
Energy	Fuel-switching, alternative energy generation, improving energy efficiency, improving fuel handling, fugitive methane utilization, other (please specify)
Industrial processes (Excluding GHG emissions from energy production)	Material substitution, process/equipment change, waste treatment/recovery/recycling, other (please specify)
Solvent and other product use	Material substitution, process/equipment change, waste treatment/recovery/recycling, other (please specify)
Agriculture	Livestock productivity management, livestock manure management, crop management, crop-switching, fertilizer management, fertilizer substitution, other (please specify)
Land-use change and forestry	Forest preservation, afforestation, reforestation, agroforestry, silviculture (forest management), fire management, sustainable harvesting, reduced impact logging, manufacture of durable wood products, other (please specify)
Waste	Solid waste management, landfill methane recovery, wastewater management, other (please specify)

Annex 3 to the uniform reporting format

1995 IPCC GLOBAL WARMING POTENTIAL (GWP) VALUES[1] BASED ON THE EFFECTS OF GREENHOUSE GASES OVER A 100-YEAR TIME HORIZON

Greenhouse gas	Chemical formula	1995 IPCC GWP
Carbon dioxide	CO_2	1
Methane	CH_4	21
Nitrous oxide	N_2O	310

[1] As provided by the IPCC in its Second Assessment Report. Please refer to conclusions of the SBSTA at its fourth session (FCCC/SBSTA/1996/20) and decision 2/CP.3 (FCCC/CP/1997/7/Add.1).

Greenhouse gas	Chemical formula	1995 IPCC GWP
Hydrofluorocarbons (HFCs)		
HFC-23	CHF_3	11700
HFC-32	CH_2F_2	650
HFC-41	CH_3F	150
HFC-43-10mee	$C_5H_2F_{10}$	1300
HFC-125	C_2HF_5	2800
HFC-134	$C_2H_2F_4$ (CHF_2CHF_2)	1000
HFC-134a	$C_2H_2F_4$ (CH_2FCF_3)	1300
HFC-152a	$C_2H_4F_2$ (CH_3CHF_2)	140
HFC-143	$C_2H_3F_3$ (CHF_2CH_2F)	300
HFC-143a	$C_2H_3F_3$ (CF_3CH_3)	3800
HFC-227ea	C_3HF_7	2900
HFC-236fa	$C_3H_2F_6$	6300
HFC-245ca	$C_3H_3F_5$	560
Perfluorocarbons		
Perfluoromethane	CF_4	6500
Perfluoroethane	C_2F_6	9200
Perfluoropropane	C_3F_8	7000
Perfluorobutane	C_4F_{10}	7000
Perfluorocyclobutane	$c\text{-}C_4F_8$	8700
Perfluoropentane	C_5F_{12}	7500
Perfluorohexane	C_6F_{14}	7400
Sulphur hexafluoride	SF_6	23900

Annex 4 to the uniform reporting format

[Decision adopting the revised URF]

Annex 5 to the uniform reporting format

[Decision 5/CP.1]

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UNITED NATIONS

Framework Convention on Climate Change

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Eleventh session
Bonn, 25 October - 5 November 1999
Item 7 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION
Eleventh session
Bonn, 25 October - 5 November 1999
Item 7 of the provisional agenda

CAPACITY-BUILDING

Revised plan for facilitating capacity-building related to the mechanisms under decision 7/CP.4

Note by the secretariat

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Annex

Activities by organizations 12

I. INTRODUCTION

A. Mandate

1. The Conference of the Parties (COP), at its fourth session, requested the secretariat "to prepare, for consideration by the subsidiary bodies at their tenth sessions, a plan for facilitating capacity-building in developing country Parties, especially the small island States and the least developed amongst them, for project activities under the clean development mechanism (CDM), and for facilitating the participation of Parties with economies in transition in the other mechanisms" (decision 7/CP.4, paragraph 4).[1]

2. This request was one element of the decision in question, which outlines a work programme on mechanisms, including a list of elements, to be undertaken with priority given to the CDM and with a view to taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at the sixth session of the COP (COP 6), including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session (COP/MOP 1) (decision 7/CP.4, paragraph 1). An initial framework for a plan to facilitate capacity-building (FCCC/SB/1999/4) was considered by the subsidiary bodies at their tenth sessions.

B. Scope of the note

3. This document contains elements for a revised plan for facilitating capacity-building related to the mechanisms, providing options for coordination and orientation, as requested by the subsidiary bodies at their tenth sessions.[2] It is based on views expressed by Parties at the tenth sessions of the subsidiary bodies and subsequent submissions related to mechanisms[3] by Australia, the European Community and its member States, the Group of 77 and China, India, Switzerland, the United States of America and Uzbekistan. These submissions are contained in documents FCCC/SB/1999/MISC.9 and FCCC/SB/1999/MISC.11.

4. Apart from this introduction, the document contains two sections and an annex. Sections II and III identify the needs and modalities for capacity-building as contained in submissions by Parties, providing options for orientation and coordination. The annex contains a summary of information submitted by those organizations currently undertaking relevant capacity-building activities which responded to the invitation extended by the subsidiary bodies. In this context,

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[1] For the full texts of decisions adopted by the Conference of the Parties at its fourth session see document FCCC/CP/1998/16/Add.1.

[2] FCCC/SBSTA/1999/6, paragraph 94 (f).

[3] Submissions on the "contribution of projects to capacity-building and institution-strengthening needs of Parties, particularly for host country Parties", made in the context of the review of the pilot phase for activities implemented jointly (AIJ), are contained in document FCCC/SB/1999/5.

the attention of Parties is also drawn to the information document on a project proposal by United Nations agencies concerning capacity-building support regarding a clean development mechanism (FCCC/SBSTA/1999/INF.8).[4] This document is referred to under item 11(b) of the provisional agenda for the eleventh session of the Subsidiary Body for Scientific and Technological Advice (SBSTA), but may be a useful input for the consideration of capacity-building, i.e. under item 7 of the provisional agenda of both subsidiary bodies.

5. Parties may also wish to refer to document FCCC/SBSTA/1999/11, which contains information on capacity-building needs relating to technology development and technology transfer for African countries, including some elements that are similar to the proposals in this paper. They may also wish to consider the experience gained by the SBSTA as a result of the technology information needs survey of developing countries conducted by the secretariat (FCCC/SBSTA/1998/INF.5) and information on technology information centres and networks in document FCCC/SBSTA/1998/INF.2.

C. Possible action

6. Concerning proposed action by the subsidiary bodies, Parties may wish to consider views of Parties and the suggestions contained in this document, and to provide guidance on:

(a) The integration of capacity-building related to the mechanisms in a comprehensive approach to capacity-building under the Convention and the Kyoto Protocol;

(b) Action to further identify capacity-building needs;

(c) Priority areas for capacity-building and the role of various actors therein;

(d) The need for considering further guidance to the Global Environment Facility (GEF); and

(e) Further work by the secretariat for facilitating capacity-building related to the mechanisms, bearing in mind the need for supplementary funding.

II. IDENTIFICATION OF NEEDS

7. Appropriate capacity-building was seen by Parties to be the foundation of fostering international collaboration in responding to the climate change challenge. There was a general call for an integrated approach to capacity-building under the Convention and the Kyoto Protocol and it was noted that knowledge and skills could be relevant in several areas identified in,

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[4] United Nations Conference on Trade and Development, United Nations Environment Programme, United Nations Development Programme and United Nations Industrial Development Organization, under the leadership of the secretariat.

inter alia, the Buenos Aires Plan of Action (decision 1/CP.4). Efforts undertaken under the Convention could be built upon (e.g. CC:TRAIN, methodological work and activities related to the transfer of technology and know-how).

8. Parties also generally stressed that capacity-building needs had to be identified by recipient country Parties in order to ensure that any assistance provided would be fully endorsed and well-focused, and generate effective participation. As needs may change over time, assessments will need to be carried out at intervals and the offer of capacity-building services adjusted accordingly.

9. The Group of 77 and China indicated priority areas for a number of issues, in particular regarding the CDM. The Group emphasized that capacity-building had to be done for and by developing countries, and that its implementation should take place within the context of the Convention and under the guidance of the intergovernmental process. Capacity-building, including education, raising public awareness, and research, was a prerequisite for the meaningful participation of developing countries in activities related to climate change.

10. Parties considered the initial framework for facilitating capacity-building related to the mechanisms, presented in document FCCC/SB/1999/4, to be useful for developing a systematic approach. It would, however, be the role of Parties to apply and adapt it to their particular circumstances if they wished to do so.

11. The framework, as shown in the table below, takes into account the comments made by Parties and presents a structured approach to capacity-building related to the mechanisms by linking key areas of possible needs and actors, first and foremost at the national, but also at subregional, regional and international levels. Major areas where needs may arise during the design, development and operation of the mechanisms could be: (i) awareness-raising, including access to and dissemination of information; (ii) support for the elaboration of design options for each of the mechanisms; and (iii) operationally-oriented capacity-building for implementation and operationalization as well as for the review process. The extent and form of engagement of various actors, such as stakeholders in central or local governments or the business and non-governmental organization communities, will depend on national strategies and priorities as well as on the provisions eventually agreed upon by Parties for each of the mechanisms. Other potential actors may include subregional and regional governmental and non-governmental organizations as well as the international community. The latter may provide support on specific issues in accordance with the priorities established by the intergovernmental process.

Table. A framework for capacity-building related to the mechanisms

Actors / Areas of possible needs	National		Subregional and regional	International community
	Non-Annex I Parties Government - Central - Local NGOs (business etc.)	**Annex I Parties** Government - Central - Local NGOs (business etc.)	IGOs NGOs	UNFCCC Other United Nations bodies IGOs NGOs
Awareness-raising				
Elaboration of options				
Implementation				
Operationalization				
Review				

NGO = non-governmental organization; IGO = intergovernmental organization

12. If Parties eventually wish to draw up more detailed plans for facilitating capacity-building at national, subregional, regional and global levels, further refinements and expansions of the elements contained in this framework would be required.

13. While no Party has so far submitted a list of its specific capacity-building needs, the submissions did identify priority areas or needs in a generic manner. The following three sections reflect inputs with regard to Articles 12, 6 and 17 of the Kyoto Protocol, i.e. capacity-building needs related to the CDM, Article 6 projects and emissions trading.

A. Needs related to the clean development mechanism

14. Among factors constraining the effective participation of developing countries in the CDM, the Group of 77 and China noted the lack of (i) access to necessary technologies and know-how, including information technology; (ii) appropriate institutions; (iii) financial resources, including for participation in meetings, workshops and seminars; and (iv) a regular forum for the exchange of information and the development of positions among developing countries. The Group further emphasized that capacity-building needed to be seen as a continuous process aimed at strengthening institutions such as the UNFCCC national focal points or national authorities designated to handle climate change activities, universities, subregional and regional institutions, as well as human resources development. The need to strengthen national institutions and, in particular, to provide for a "single window", such as a national coordination office and/or the national focal point, was also mentioned by other Parties.

15. The following list presents - in no particular order - those areas for which, according to non-Annex I Parties, institutional and technical capacity needs to be built as a matter of priority:

(a) Establishment of institutional linkages required for implementing the CDM;

(b) Project identification, formulation and design including, in particular, the development of baselines;

(c) Development of criteria regarding the eligibility of projects (including for sustainable development indicators, e.g. for adaptation);

(d) Procedures for monitoring, verification, auditing and certification of project activities;

(e) Project negotiation skills;

(f) CDM demonstration projects to enhance capacity-building ("learning-by-doing"), including assessment of costs and risks (long- and short-term);

(g) Data acquisition and sharing;

(h) Identification and assimilation of technologies, including the capacity of the private sector to assess its costs and benefits;

(i) Increasing public environmental awareness and "climate literacy", including disseminating information in national languages (particular areas identified were vulnerability to climate change; the limited financial resources for climate-specific mitigation and/or adaptation policies; and the potential benefits of the mechanisms); and

(j) Developing and/or enhancing policy expertise to link strategies and plans with realistic economic and financial analysis.

16. The Group of 77 and China stressed that the special needs of least developed country Parties would need to be addressed both from the point of view of identifying their special technology needs and of capacity-building. The capacity-building effort should be directed at strengthening endogenous expertise for identifying technology needs and at helping enhance the capacity for assimilating technology. Least developed country Parties would also require assistance to build up capacity for monitoring, reporting and verifying emissions, and for selecting, designing and evaluating CDM project activities.

17. Annex II Parties stressed that capacity-building should aim at enabling developing countries to identify, attract, host and successfully complete CDM projects in conjunction with cooperating Parties. They also identified a need to develop knowledge and institutional capacity

for (i) identifying constraints to the implementation of CDM projects, (ii) devising means and policies to overcome such constraints; and (iii) developing project pipelines, i.e. implementing policies and strategies in the context of which potential projects could be elaborated.

B. Needs related to Article 6 projects

18. A number of Parties noted that capacity-building needs for Article 6 projects and for the CDM might be similar in several respects, in particular regarding the institutional, technical and human resources required to master all aspects of the project cycle in collaboration with partners. Indeed, needs listed under items (a)-(j) in paragraph 15 above have also been referred to by experts from Parties with economies in transition (as reported by one Annex I Party, based on initial results of an analysis covering the Czech Republic, the Russian Federation, Slovakia and Uzbekistan).

C. Needs related to emissions trading under Article 17

19. Some Annex II Parties provided input on the needs related to emissions trading under Article 17, as seen from their perspective. Work should be undertaken to ensure that countries with economies in transition have the institutional knowledge and information base to comply with Articles 5 and 7 of the Kyoto Protocol, and to develop policies and methodologies to participate effectively in emissions trading. The following key issues, *inter alia*, should be addressed: (i) the identification and analysis of country-specific capacity-building needs; (ii) assistance with regard to national communications and systems, including the preparation of inventories and national registries; (iii) information relating to the operation of trading systems and potential models for emissions trading systems; and (iv) provision of access to information resources and the strengthening of institutional capacity to enable policy development on emissions trading.

D. Options for the further identification of needs

20. Options mentioned by Parties for further assessing capacity-building needs included the use of in-depth reviews of Annex I Parties' national communications and the consideration of national communications from non-Annex I Parties. The reviews could be used to assess the current inventory systems and to identify needs of Annex I Parties with economies in transition in light of future measurement and reporting requirements for emissions trading. Similarly, the consideration of national communications from non-Annex I Parties might identify technical and institutional needs regarding the development of the CDM and its evaluation (such as expertise for developing and evaluating baselines, and the establishment or strengthening of focal points or national climate change offices).

21. Parties also proposed the further identification of needs through a survey (questionnaire), informal consultations, submissions by Parties and workshops, so as to ensure that information on capacity-building will be systematically collected, compiled and

disseminated. Those carrying out such tasks would need to ensure that existing information, such as that from the pilot phase of activities implemented jointly (AIJ) and the GEF, is taken into consideration and duplication of effort is avoided.

22. If Parties wish to request that a survey be conducted - undertaken by the secretariat or another organization, as appropriate - an adequate time-frame for developing and testing the questionnaire, and for collecting and analysing the results, would need to be indicated. Adequate and additional resources would have to be available.

23. A survey would, *inter alia*, be based on the following considerations: (i) to take into account guidance from the subsidiary bodies regarding priority areas to be covered; (ii) to assess planned, ongoing and completed capacity-building activities relevant to the mechanisms; (iii) to provide the opportunity to identify national expertise and experts; (iv) to identify needs outside the priority areas; (v) to highlight gaps; and (vi) to obtain from Parties comments on the adequacy of the questionnaire for assessing their needs and suggestions for further improvements. In order to minimize the time and resources needed for carrying out the survey, it could, wherever possible, be conducted electronically, if possible directly through the Internet. Apart from an initial survey, results of and remaining needs for capacity-building could subsequently be assessed through direct links via the Internet and other electronic means. Up-to-date information could thus be obtained and shared at low cost. Arrangements would need to be made to ensure that Parties without access to electronic means can participate in the system.[5]

III. MODALITIES FOR CAPACITY-BUILDING

24. This section summarizes inputs by Parties on the modalities for facilitating capacity-building related to the mechanisms and thus focuses on the roles to be assumed by various actors and on preferred means of delivery.

A. Actors

25. As indicated in the framework for facilitating capacity-building, the engagement of various actors, carrying out one or several capacity-building activities, is envisaged. Parties felt that a multitude of actors offering capacity-building might possibly enhance the chances to find a "best fit" solution for particular needs. The Group of 77 and China indicated that priority should be given to actors from developing countries in order to ensure that capacity-building would be done for and by developing countries.

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[5] The secretariat, together with various United Nations partners, has initiated the development of a project to assist UNFCCC national focal points to improve access to information on climate change and communications via electronic means. Initial activities will include the assessment of the level of information and connectivity through a survey of five pilot countries with the help of an expert from a developing country.

26. Parties wish to see the secretariat in the role of a facilitator for (i) identifying needs and "match-making" between the requests for and offers of capacity-building; (ii) disseminating information on activities, knowledge and resources; and (iii) for coordinating the activities of United Nations agencies. The implications of each of these options for the work programme would need to be examined bearing in mind that supplementary funding will be required to support any activities Parties may request on capacity-building (FCCC/CP/1999/INF.1).

27. Parties also proposed that the GEF, as an entity operating the financial mechanism of the Convention, should play a role in developing capacities related to the project-based mechanisms in conjunction with other capacity-building efforts undertaken currently or in the future through the GEF and its implementing agencies (such as the Capacity Development Initiative (CDI) undertaken by the GEF and UNDP). Additional guidance by Parties may be required.

28. The Group of 77 and China suggested, through a draft decision on capacity-building for developing countries, that provisions governing capacity-building activities under the Convention and the Kyoto Protocol should be instituted and their implementation examined by the chairmen of the subsidiary bodies.[6]

B. Means for facilitating and coordinating capacity-building

29. Parties made a number of suggestions for facilitating and coordinating capacity-building related to the mechanisms. Regarding the identification of ongoing activities, a survey and a database were proposed. These would allow better coordination, avoid duplication and permit the reduction of costs for identifying sources of information and additional efforts. Establishing and/or enhancing a roster of experts was proposed, to identify national experts of the country where capacity-building is to take place and to ensure their involvement. The use of electronic options was suggested for the dissemination of information and technical material from all sources. The use of electronic discussion groups and/or bulletins on specific topics should be explored.

30. If Parties wish to see the development of an electronic information network for facilitating capacity-building on the mechanisms, as well as for coordinating ongoing and planned activities, a web site could be set up with a single entry point for accessing information. Such a portal, supported, *inter alia*, by searchable databases, would guide and link users to sources which provide greater detail and allow for queries. Those without direct access to the Internet could receive and supply information through regularly updated CD-ROMs or hard copies and their queries could be answered by non-electronic means. The development and operation of such a facility, possibly in several languages, would require adequate and additional resources. It could be maintained by the secretariat or another organization, as appropriate.

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[6] Elements of such provisions have been reflected in this document, as applicable. For the full text of the draft decision, see FCCC/SB/1999/MISC.9.

31. Workshops were identified as a good means of enhancing awareness, transferring knowledge and exchanging information. It was suggested, however, that an effort be made to enlarge the number of Parties represented in such activities to make this process more cost-effective. Parties should endeavour to participate in such activities. At national and subregional levels, consideration could be given to adding appropriate modules to CC:TRAIN to respond to identified needs and to expand its reach.

32. In addition, the secretariat could continue to organize CC:FORUM meetings on capacity-building, in particular for mechanisms, in conjunction with the sessions of subsidiary bodies and/or the COP. Delegations and representatives of United Nations agencies, and intergovernmental and non-governmental organizations would thus have the opportunity to exchange experience, share knowledge and potentially identify areas of cooperation.[7]

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[7] In 1998 the secretariat organized a workshop on capacity-building for project-based mechanisms (see FCCC/CP/1998/INF.3) as well as, in conjunction with the tenth sessions of the subsidiary bodies, a CC:FORUM on emissions trading focusing on the capacity-building needs of Parties with economies in transition.

Annex

ACTIVITIES OF ORGANIZATIONS

1. Three organizations responded to the invitation extended by the subsidiary bodies at their tenth session to provide information to the secretariat on their current relevant capacity-building activities (FCCC/SBSTA/1999/, para. 94 (f)). Information was received from the United Nations Development Programme (UNDP), the World Bank and the Center for Sustainable Development in the Americas (CSDA).[1]

2. In 1998, UNDP established capacity-building activities in Peru, the Philippines and South Africa related to the CDM, and had previously done so for Bulgaria related to Article 6. The following activities are covered: (i) establishing priority areas; (ii) the identification and formulation of possible prototype projects based on national priority areas identified; and (iii) the dissemination of results and lessons learned among public and private stakeholders as well as exploration of public-private partnerships. National experts carry out the work. Outputs are expected prior to the eleventh sessions of the subsidiary bodies.

3. The World Bank provided the secretariat with information on a programme whereby, under the overall coordination of the World Bank, Switzerland and other bilateral donors (e.g. Australia, Austria, Finland and Germany) provide co-financing for countries to study national strategies for AIJ, joint implementation and the CDM. National authorities are involved in the preparation and approval of the national strategy studies conducted by host country experts in collaboration with experts from donor countries and the World Bank, as necessary. A national project manager assumes overall responsibility for the studies on a day-to-day basis. Each study covers six tasks and a set of operational areas depending on national priorities, building on existing work. The programme encourages the setting up of national Internet sites and makes available all results and lessons learned, *inter alia*, at its own site at http://www.esd.worldbank.org/cc/.

4. The CSDA, together with the Foundation for International Environmental Law and Development and the World Resources Institute, organized the first phase of a multi-stakeholder process related to the CDM consisting of informal meetings for developing country negotiators. It also prepared an analytical tool for use by Central American countries to analyse the competitiveness of such countries in the carbon offset market. It supports other capacity-building activities such as the above-mentioned World Bank programme and the preparation of a "Guide to establishing national CDM offices" as a technical input to the Climate Change Initiative of the United States Agency for International Development.

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[1] Document FCCC/SB/1998/MISC.2 and the addendum contain responses by intergovernmental and non-governmental bodies to a questionnaire on ongoing and planned activities related to the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol, including, *inter alia*, capacity-building.